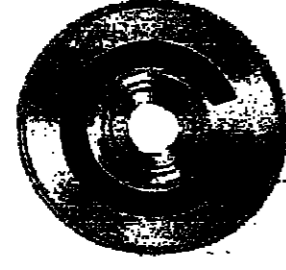


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FINANCIAL TIMES



Digital video discs
Wrangling over
copyright



Mykonos
Money versus
beauty



Gene hunting
Surf the net,
stave the world

Truong Tan Sang
Vietnam's
high-flyer

http://www.ft.com

TUESDAY AUGUST 6 1996

EU poised to quit Mostar as Croats refuse to move

The European Union was last night on the brink of abandoning its two-year mission to re-unite the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Muslim rivals, international mediator Carl Bildt said. The EU should not make any concessions. "We are not in the deadline extension business. It is a matter of principle and we cannot give in." Page 15; Editorial Comment, Page 11

UBS raises income by a third: Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SF1.1bn (\$820.3m) with a surge in profits from its trading and investment banking operations. Page 18; Lex, Page 12; World stocks, Page 32

Strong air traffic growth forecast: Passenger traffic on Europe's big airlines is expected to grow by 6.4 per cent a year for five years, marginally up on long-term forecasts, the Association of European Airlines said. Page 2

Turkish army expels Moslems: The strongly secular Turkish army expelled 13 soldiers for "reactionary activities", a euphemism for propagating Islamic fundamentalism in the ranks. Page 2

Pearson sells Westminster Press: Information, publishing and entertainment group Pearson announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for \$280m (\$476m). Page 18; Details, Page 17; London stocks, Page 28

Austrians oppose Nato membership: A majority of Austrians is opposed to joining Nato, but thinks it will happen anyway, a poll in the Vienna daily Der Standard shows. Page 2

HSBC first-half profits climb: City analysts upgraded their forecasts for HSBC after the international banking group raised first-half profits by more than a third to £2.32bn (\$3.6bn). Page 18; London stocks, Page 28

Malaysia threatens import controls: The Malaysian government warned that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit. Prime minister Mahathir Mohamad (left) said quotas and import permits might be introduced to curb imports of non-essential goods. His warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rate this year after enjoying rapid expansion. Page 12

Belfast march re-routed: The Royal Ulster Constabulary re-routed a Protestant Apprentice Boys parade through Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Londonderry march on the same day. Page 6

US healthcare groups combine: Californian healthcare company PacificCare Health Systems acquired FHP International, also of California, for \$2.1bn to create the US's fifth largest healthcare organisation. Page 15; Details, Page 16

Burma dismisses US economic report: Burma's military junta described as politically motivated a US report that Burma's economic growth had been widely overstated. Page 8; Burma hits back at European beer companies, Page 5

Buenos Aires mayor walks into row: Fernando de la Rúa of Argentina's opposition Radical party today became the first elected mayor of Buenos Aires amid arguments over how much autonomy the capital should have. Page 4

Death penalty sought for Chun: South Korean prosecutors asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Page 3

FT.Coms the FT web site provides online news, comment and analysis at <http://www.ft.com>

Table with financial data including Stock Market Indices, Gold, Dollar, Luncchtime Rates, Other Rates, and North Sea Oil.

Dole proposes \$548bn in tax cuts

Economic plan projects balanced budget by 2002

Senator Bob Dole yesterday announced a \$548bn tax-cutting plan aimed at boosting both economic growth in the US and his own flagging presidential election campaign. The long-awaited economic programme, subject of intense debate within Mr Dole's Republican party, calls for a 15 per cent across-the-board cut in income tax rates, a halving of capital gains taxes to a maximum 14 per cent, and a \$500-a-child tax credit. It also projects a balanced budget by 2002, but gives only sketchy details of how the tax cuts would be paid for. Mr Dole's aides hope the plan will capture favourable headlines in a campaign so far dominated by President Bill Clinton, who holds a double-digit opinion poll lead. By choosing a simple and dramatic version of the various tax cuts debated by his advisers for weeks, aides hope Mr Dole will tap a popular Republican campaign theme. However, Mr Dole has risked his career-long reputation for putting deficit reduction ahead

of cutting taxes. He has long been a critic of supply-side economists who argue that tax cuts will largely pay for themselves by boosting growth and tax revenues. His proposals project that increased growth will pay for \$147bn of the \$548bn cost of tax cuts over six years. The rest would be covered by the sale of unallocated broadcast frequencies along with spending reductions, though it would not involve further cuts in Medicare - health insurance for the elderly - social security or defence spending. Mr Dole insisted his plan would not jeopardise budget balance: "Deficit reduction is in my blood and a balanced budget will be my legacy to the American people."

His aides stressed that growth would be boosted not only by income tax cuts, but also by the capital gains tax reductions, and a plan to reduce government regulation and overhaul the legal system. The plan also calls for passage of a balanced budget amendment. Continued on Page 12

Brussels plan to let debtors pay using euro

The European Commission has backed away from a controversial plan to discourage foreign exchange speculation against the future single currency. Its latest draft proposals for European monetary union have dropped the idea that financial contracts which challenged official Ecu parities would be unenforceable. This retreat has pleased investment bankers, who argued that legislation against currency speculation would be unworkable. But the Commission, which plans to present its legal framework for Ecu to governments this autumn, is now proposing other means to bolster the market credibility of the euro during the three-year transition period to a single currency after 1999, and to prevent speculation against it.



Chinese to buy advanced military radars

By Bernard Gray in London

China is to buy airborne early warning radars from Britain, increasing the capacity of the Chinese navy and air force to patrol disputed areas such as the Taiwan Strait and the Spratly Islands in the South China Sea. In a deal negotiated in the past two weeks, Racal, the British defence and electronics company, will supply between six and eight of its Searchwater surveillance radars to the Chinese navy. China is also negotiating with Israel Aircraft Industries to buy its Phalcon airborne early warning radar for the Chinese air force. Racal yesterday refused to comment on the order, saying the company never discussed such contracts. The radar purchases are part of an effort by China to strengthen its air force and navy, which are trailing behind those of Asian economies such as Korea and Taiwan. China's ageing MIG fighter fleet is no match for the French Mirage fighters which Taiwan has ordered, and China's ships lack long-range radar cover for patrols outside its coastal waters. For 10 years China has been debating how to improve the

Deutsche Bank, Germany's biggest bank, yesterday deplored US indifference towards European monetary union, saying most Americans thought of Ecu as a big Australian bird. The bank said such neglect could damage US interests and blamed US politicians, businessmen and economists for the lack of interest. Page 2 originally suggested that contracts which challenged these official conversion rates should be unenforceable. However the Commission, which is responsible for creating the legal framework, is now backing away from this idea. As one lawyer involved in the discussions says: "The feeling is that something positive should uphold the conversion rates, rather than a negative threat." Mr Colin Bamford, of the Financial Law Panel in London said the new proposal could reduce the incentive to gamble against the official conversion rates. "If someone feared losing money in one currency they could repay it in the other currency." Banking groups point out that the Commission's suggestions might also have the quite separate effect of increasing pressure on the financial community to use the euro immediately after 1999. This trend is likely to please French financial groups who want to switch to using the euro as quickly as possible. One banking observer in Brussels said: "This could create more pressure for a rapid switch-over which perhaps not everyone is expecting." US indifference to Ecu, Page 2

Belgian curb on drink ads 'unfair to imported wines'

A Belgian law banning advertisements for drinks containing more than 10 per cent alcohol by volume is being challenged by the European Commission which says the law unfairly favours the Belgian national drink - beer. The Commission says the beer means beer is effectively the only alcoholic drink that can be advertised, penalising wine, most of which is imported into Belgium and is only marginally stronger. Belgium says the law is designed to protect health and prevent alcohol abuse by restricting promotion of stronger drinks, and denies it is a protectionist measure. The country brews several hundred different beers, ranging from well-known brands such as Stella Artois, to rare, traditional varieties produced by Trappist monks. It produced 14.85m hectolitres of beer in 1994, and had the fifth highest annual consumption per capita in Europe, at 108 litres, according to the European brewers' association. The EU executive says two examples of case law in the European Court rule that beer and wine should be viewed as competing products, subject to the same treatment under the law. It is preparing a case for the European Court to make sure wine has equal rights to be advertised. Brussels is also challenging rules in another beer-loving country - the UK. It has ordered the UK to change the rules on "guest beers", draught beers brewed by one brewer sold in pubs tied by contract to a different brewer. It says the rules exclude draught beers brewed by other member states because they specify that guest beers must be brewed by a fermentation process used only in the UK. The Commission argues that the restriction is a breach of EU law on free movement of goods and the UK has been told to change them within 40 working days, or face European Court action. The rules, drawn up after a shake-up of the UK brewing sector in 1989 to promote traditional "real" ales, say guest beers must use a process known as "bottom fermentation". The Commission says this discriminates against "top-fermented" lagers from other EU states, which may still come from small brewers using traditional methods. It suggests the UK adopts rules that stipulate guest beers must come from smaller breweries using traditional methods, but without barring top fermentation. Brussels' move was met with anger yesterday in the UK. The Brewers and Licensed Retailers Association said the UK already had the most open beer market in the European Union, stocking and importing many more brands than other EU states.

BREITLING 1884 advertisement featuring a watch image and text: BREITLING 1884, NAVITIMER: ON COURSE AND ON TIME. With time a crucial aspect of air travel, pilots and navigators have long viewed their watch as their basic personal instrument. Even with today's sophisticated navigation satellites and radio beacons, "flight computers" like the NAVITIMER are still used for routine calculations. A slide rule of this kind is built into NAVITIMER mechanical chronographs. The pilot's sole personal instrument, today's NAVITIMERs are based on a design voted official watch of the Aircraft Owners & Pilots Association in 1952. Relentlessly improved since then, NAVITIMERs are totally efficient and fascinating to operate while their good looks remain as unmistakable as ever. BREITLING SA, P.O. Box 1132, SWITZERLAND - 2540 GRENCHEN. Tel: 41 65 / 51 11 31, Fax: 41 65 / 53 10 09. INSTRUMENTS FOR PROFESSIONALS

NEWS: EUROPE

Deutsche Bank assails politicians and media for 'astounding' neglect

US indifference to Emu deplored

By Andrew Fisher in Frankfurt
Germany's biggest bank yesterday delivered a damning verdict on US indifference towards European monetary union...

this lack of interest. "Most Americans have not heard about Emu and those who have could not care less..."

is really regrettable. Preoccupation with domestic affairs is not an excuse for neglecting developments in Europe...

Arguing that the US had for long periods been a "reluctant internationalist", Mr Karcmar said the end of the cold war and the Soviet collapse made it less compelling for the US to preoccupy itself with Europe...

the past than isolationism. Mr Karcmar said "The US's indifferent attitude to the massive reorganisation and transformation of Europe is tantamount to abdicating the US international role..."

worried that Emu would lead to a stronger dollar - as the D-Mark's strength was diluted within the single currency zone of the euro - thus diminishing their export competitiveness and overseas profits...

EUROPEAN NEWS DIGEST

Bonn urges EU review on BSE

The German government will ask the European Union to review the measures taken so far to combat bovine spongiform encephalopathy (BSE)...

Turkish generals aim at Islamists

Turkey's army, a bulwark of secularism, has expelled 13 soldiers for "reactionary activities"...

France bids adieu to one of the founders of the republic



President Chirac embraces the widow of Michel Debré, France's first prime minister under President Charles de Gaulle in 1958, at his funeral yesterday.

Slovaks to gather bond windfall

More than 3m Slovak citizens have the opportunity from this week to collect an unexpected windfall when a bond issue that replaced coupon privatisation begins public trading...

Neutral Austrians deeply split over whether to join Nato

A poll shows a majority believe Vienna will sign up anyway

A majority of Austrians are opposed to joining Nato, but they think it will happen anyway, according to a poll in the Vienna daily Der Standard...

Eric Frey looks at the choices on security facing an EU recruit

The deep split in the government and in public opinion has made it difficult to make its voice heard in the EU...

Waigel seeks hefty tax cuts

The German government is planning sweeping tax cuts which could reduce the highest income tax rate from 53 per cent to 40 per cent starting from 1999...

Italian insurance price probe

The Italian anti-trust commission said yesterday it had opened an inquiry into recent sharp price rises in the car and motorcycle insurance market...

Unicombank back on course

Russia's central bank has helped restore financial stability to Unicombank, one of the country's largest commercial banks...

European air traffic to grow

Passenger traffic on Europe's big airlines is to grow by 6.4 per cent each year for the next five years, marginally up on long-term forecasts...

Italian inflation slows

Italy's inflation rate fell in July to an annualised 3.6 per cent from 3.9 per cent the previous month, according to figures released yesterday by Istat...



Ciampi will press case at today's cabinet for hiving off non-core businesses

Rome to decide on speeding Stet sale

Italy's centre-left government is expected to decide today whether to accelerate the privatisation of Stet, the state telecoms group, by hiving off non-core businesses...

Italy's state railways company has chosen a consortium of Olivetti and France Telecom to develop its telecoms activity. They are expected to pay at least L600bn (\$395m) for a 70 per cent stake in Telesistemi Ferroviari...

Commission under which the state holding must reduce its debt by almost L20,000bn by the end of this year. The only way this can be achieved is by selling off all Iri's stake in Stet...

activity from the telephone business which will be subject to the regulatory authority. It feels Brussels is only likely to be accommodating in postponing the deadline on Iri's debt reduction if the Stet sale is at least partly under way...

THE FINANCIAL TIMES
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Partial view of a large advertisement on the right edge of the page, featuring the words "Burmese" and "Death pena..." at the top, and "Calls grow Malaysia p monopoly" and "Pressure" further down.

Handwritten Arabic text in a box: صبرنا من الامل

صباحنا من الامل

Embassy's report pointing to overstated growth branded as politically motivated

Burmese junta dismisses US survey

By Ted Bartacke in Bangkok

Burma's military junta yesterday described a US report on the country's economy as politically motivated. In its annual economic survey of Burma, the US embassy in Bangkok says economic growth has been widely overstated by misleadingly accounting practices.

3.1 per cent of the country's gross domestic product, the survey says. The report, released yesterday, has been blasted by officials of Burma's military junta, who say the report's attempt to correct statistical distortions caused by the country's dual exchange rate and by lack of reporting on military spending is politically driven.

The US government has been the most vocal international critic of Burma's military regime because of its human rights record and its alleged tolerance of drug-trafficking activities. US pressure groups have been at the forefront of a campaign to convince multinationals to withdraw from Burma.

Gen David Abel, Burma's economic development minister, said yesterday: "The intention of floating such a report is to seed doubt and cause mischief." He said defence spending was only 8.10 per cent of the national budget. Official Burmese statistics make no mention of defence spending.

Last year the World Bank estimated defence spending accounted for 50 per cent of current government expenditure in fiscal year 1993-94 and 45.9 per cent in 1994-95. Economists say the level of military spending is important because it is the single most important factor in Burma's chronic fiscal deficit - which stands at 11.5 per cent of GDP - and in its 25 per cent annual inflation.

The report also hints at the growing influence of drug and other extra-legal money, now that several drug-producing ethnic groups have been "brought into the legal fold". Net private transfers of foreign currency have substantially exceeded foreign direct investment for the past two years and the Burmese government "now makes no perceptible effort to bar investments funded by the production or export of narcotics," the report says.

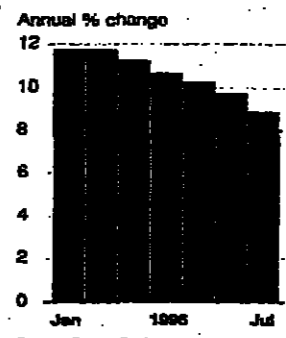
ASIA-PACIFIC NEWS DIGEST

China opens up Xinjiang

China is stepping up development of its oil-rich and potentially troublesome western Xinjiang region with the allocation this year of ¥12.2bn (\$1.6bn) for investment, mostly infrastructure, the People's Daily reported yesterday. Some 30 projects had been identified for central government support, including roads, oilfields and power plants. Beijing will provide 70 per cent of funding for key projects, the rest coming from local authorities and business. The region is attracting attention as an increasingly important cotton and grain-growing area.

Philippine inflation falls

Philippines Inflation



Philippine inflation fell to 8.9 per cent in July, its third consecutive monthly drop and evidence it is on course for the official 6 per cent target by December, economists said yesterday. The decline, following the rise to 11.8 per cent last October, came in most sectors, notably food. The tightening of money supply, agreed with the International Monetary Fund earlier this year when the target for broad money (M3) growth was reined back from 29 to 25 per cent, contributed to the slowdown.

Death penalty sought for Chun by prosecutors

By John Burton in Seoul

South Korean prosecutors yesterday asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Even if the Seoul district court upholds the suggested punishments at a sentencing session later this month, most analysts believe Mr Kim Young-sam, the South Korean president, will eventually use his executive privilege to reduce the penalties to shorter prison terms.

as martial law commander when the Kwangju massacre occurred in May 1980. Mr Chun, who subsequently became president in August 1980, is an unpopular figure in Korea because of his seven years' rule. In contrast, Mr Roh, who succeeded him in 1987, was considered to have had a subsequent role in the army coup and is credited with paving the way for democratic rule as president.

The proposed sentences, which were expected, followed a six-month trial that focused on their roles in a 1979 coup that brought them to power, and the subsequent 1980 massacre of at least 200 pro-democracy demonstrators in the south-western city of Kwangju. The ex-presidents are also facing separate charges of allegedly accepting a combined total of almost \$2bn in corporate bribes during their consecutive terms of office between 1980 and 1993.

It was Mr Roh's admission last October that he accepted \$650m in corporate payments that triggered a series of events that led to the trial of the two ex-presidents. His arrest last November on corruption charges provided an opportunity for Mr Kim, a former political dissident, to pursue Mr Chun as well, on sedition charges. Their trial has been marked by controversy, with lawyers for most of the defendants having resigned in the past month to protest at what they claimed was the prejudicial attitude of the court judges.

Fourteen other persons, most of them former military colleagues of the two ex-presidents, face possible prison terms of 10-15 years. The suggested death penalty for Mr Chun reflected his role as the leader of the 1979 army coup and his position

Jeremy Grant meets Vietnam's newest recruit to the politburo Age no barrier for favourite son of Ho Chi Minh City

He is snappily dressed in a dark suit complete with tie pin. His slicked-back hair looks as if it has been given a dose of gel. He smiles as he offers his business card. It is headed "Communist Party of Vietnam".

Mr Truong Tan Sang is the party's highest flyer and, as Vietnam's youngest recruit to the ruling politburo, is the country's most talked-about politician. At 47, Mr Sang is chairman of the Ho Chi Minh City branch of the Communist party, an appointment made during the party's five-yearly congress at the end of June. The post comes with a seat on the politburo, the highest decision-making body in the land.



Holding the confidence of the party: Truong Tan Sang is their highest flyer

Yet nothing in his curriculum vitae marks him out as a high achiever. His only executive position before becoming mayor of the city in 1991 was at the helm of a state-run forestry concern. Unlike many technocrats of his age, he was not trained in the former Soviet Union. Instead, he took evening classes at Ho Chi Minh City university, earning a law degree. Thus armed, he will now have to share power in the 18-member politburo with the revolutionary septuagenarians who have dominated the political landscape in the decade since the country's doi moi economic reforms began. He will also sit alongside two military men who masterminded Vietnam's invasion of Cambodia in 1979.

He brushes aside suggestions that the older generation do not fully trust the party's younger bloods, an attitude many observers say was behind the ruling troika's refusal to relinquish power at the recent party congress. "The older generation of revolutionaries fully trust the younger generation. [Membership] is an opportunity for me to acknowledge the guidance of the older generation that has helped and guided us through wartime and during the renovation period."

Mr Sang is clearly an intuitive politician but he is also a loyal party man. It is perhaps this, more than anything else, that propelled him to his current position, in spite of his age. For the last five years, as chairman of the Ho Chi Minh City people's committee he has presided over dramatic changes in one of south-east Asia's fastest growing cities. Last year, Ho Chi Minh City's gross domestic product growth was about 15 per cent. Foreign investors have pumped millions of dollars into projects in and around the city. Local businesses - most of them ethnic Chinese previously the victims of economic and political discrimination - are flourishing as never before.

Unlike his counterparts elsewhere in Vietnam, the Ho Chi Minh City people's committee is much more than an administrative body. It is also a sprawling business machine, having inherited factories, hotels and a huge property portfolio from the US-backed South Vietnam. Many of the people's committee business units are linked in lucrative joint ventures with foreign investors. Mr Sang sums up his business philosophy thus: "In a multisectoral economy, it's inevitable to have rich and poor. In Vietnam, we say 'let those who have favourable conditions enrich themselves first, and then let those less fortunate enrich themselves later, thanks to the support of those who have already become rich.'"

"Overall our policy does not discriminate against the private sector or give any privileges to the state sector because we want to mobilise all resources in order to modernise and industrialise our economy," he says. His words will be cold comfort to the entrepreneurs still unable to use land as collateral for bank loans, unlike loss-making state companies. Only 1km away from Mr Sang's office in a converted French villa, people live in squalid conditions, the flip side of Ho Chi Minh City's economic success story. Drug abuse is rising. Girlie bars and prostitutes are still as much a part of the city's image as they were in the Vietnam war years.

"We've built many houses of grace and we also try to provide education to many street children. There are about 45,000 of them and we have gathered 25,000 into classes," he says. Some observers say the city has grown fast without infrastructure keeping pace and there are problems looming. But Mr Sang deserves credit for holding the city together as it coped with the strains of sudden capital inflows. "He obviously has the confidence of the party and if he takes a position [in the politburo], it'll probably stick," says one.

Calls grow for Malaysia power monopoly end

By James Kyng in Kuala Lumpur

The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, plunged yesterday after an almost nationwide blackout at the weekend hit the company's reputation and prompted calls for its transmission monopoly to be terminated.

to be echoed by Mr Anwar Ibrahim, deputy prime minister and finance minister, who said the current grid was "not acceptable". Dr Mahathir Mohamad, the prime minister, summed up a mood of anger and shame within the government. "Where are we going to hide our faces," he said. "We invited people to invest, and now their factories are affected and the aircraft cannot take off."

Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation, closed down 4.41 per cent to M\$9.75. Investors were concerned that companies forced to stop production for the 15-hour power cut from Saturday evening to Sunday morning would demand compensation from Tenaga. Some analysts said losses at companies from the power cut, originating in the eastern state of Terengganu where much of the grid dates from the 1970s, could exceed M\$100m (\$40.5m).

Dr Mahathir last week invited the world's top information technology companies to invest in an ambitious 750 sq km "multimedia super-corridor", a central plank in Malaysia's vision of becoming fully industrialised by 2020. To achieve that goal, when wages are rising and a labour shortage is eroding its traditional competitive advantages, Malaysia needs to provide reliable and efficient utilities.

Market analysts said Tenaga's transmission and distribution monopoly, previously guaranteed until 2000, could be in jeopardy. The Federation of Malaysian Consumers Association suggested yesterday a parallel grid should be built and run by some or all of five independent power producers (IPPs) which have begun generating since 1994. The suggestion appeared

Tenaga had pledged to keep power cuts to a minimum and observers said its failure could serve it ill when the government decided whether to allow it to increase power price rises. A delay in implementing price rises this year was the main factor behind a decline in Tenaga's net profits to M\$370m in the half year to February 29 this year from M\$798m in the previous period.

Vote on nuclear reactor fails to sway Tokyo

By Emiko Tarazono in Tokyo

Results of Japan's first local referendum over a nuclear project, at Maki in northern Japan, would not affect the country's nuclear energy policy, the government said yesterday.

Officials put on a brave face after the weekend vote by Maki residents to reject construction of a nuclear reactor in the town. However, the government already faces pressure to review its policy following a leakage at Monju, Japan's next-generation nuclear reactor, last December.

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Pressure to revise HK forecasts grows

By Louise Lucas in Hong Kong

Pressure on the Hong Kong government to revise its full-year growth forecasts increased yesterday after official figures showed the economy grew 3.1 per cent in the first quarter of the year against the same period of 1995. This was at a far

slower rate than the 5 per cent growth for the full year forecast by the government.

Private-sector economists, forecasting full-year growth of 4.1-4.5 per cent, say the government will be forced to downgrade the estimate in the light of weak export growth through the first half and continuing poor consumer sentiment.

Yesterday's first-quarter figures showed re-exports registered a moderate 7.5 per cent growth in real terms against the same period last year, while domestic exports fell 7.4 per cent. Domestic exports have been dwindling as Hong Kong manufacturers relocate their operations in mainland China. Private consumption spending grew 3.5 per cent in real terms and government expenditure 3.8 per cent. Consumer spending accounts for 80 per cent of gross domestic product. Retail sales have edged upwards and property prices are steady but many economists say the "feel-good" factor is still absent. Economists say a weakening

of the US dollar may help trade in the second half while a devaluation of the Chinese yuan would stimulate China trade, the key plank of re-exports. If the expected rise in US interest rates materialises in the second half, and is imported to Hong Kong via the currency link, consumer spending would be further subdued.

Advertisement for easyJet Amsterdam. Features a large 'Amsterdam' text, a 'Finance Director's Dream Ticket' for £35, and an 'easyJet' logo with a 'ONE WAY' arrow. Includes contact information: 0990 29 29 29 anytime.

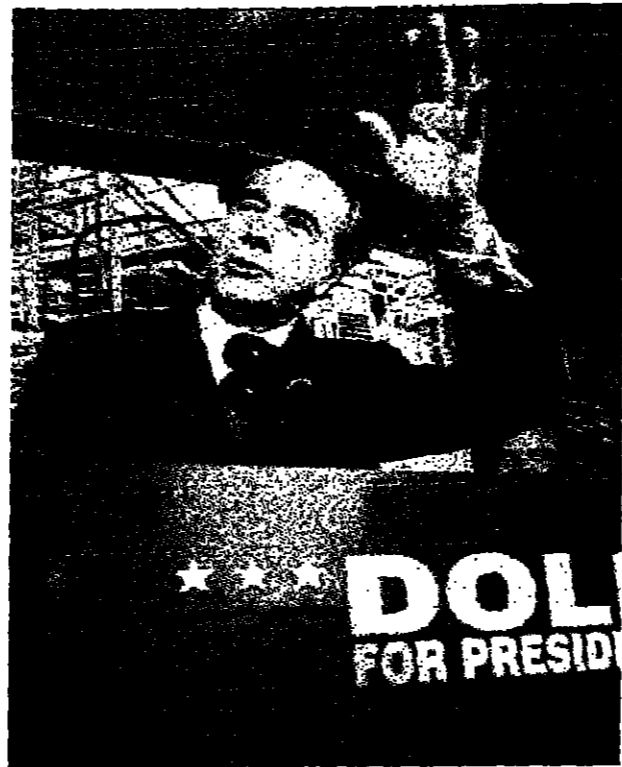
NEWS: THE AMERICAS

Dole grasps nettle of balanced budget

Proposed constitutional change would tie politicians' hands, writes Michael Prowse

The most important element in Mr Bob Dole's long-awaited economic plan, unveiled yesterday, is not the proposed 15 per cent cut in income tax rates...

\$393bn in expenditure cuts already outlined by the Republican Congress. In practice such numbers mean little. The Democrats crucified Mr Newt Gingrich, the House speaker, last year for proposing modest curbs on the growth of Medicare...



Bob Dole: faster growth requires tax overhaul

improving opportunity from one generation to the next. But his recipe for reform is more radical than anything the Democrats have contemplated. As president he would introduce a voucher scheme allowing parents to spend tax dollars on education in private and religious as well as public (government) schools...

AMERICAN NEWS DIGEST

Index points to US growth

A key gauge of US economic activity strengthened in June, the Conference Board, a business analysis group, said yesterday, despite providing additional signs of slowing in the industrial sector. The index of leading indicators, designed to forecast economic trends six to nine months ahead, rose by 0.5 per cent in June after a revised 0.2 per cent increase in May...

Vesco awaits Cuban verdict

Mr Robert Vesco, the fugitive US-born financier on trial in Cuba on charges of fraud and illegal economic activity, faces a possible 20-year jail sentence after a Havana court adjourned at the weekend to consider its verdict. The prosecution maintained its request for a guilty verdict and a 20-year term after a public hearing in which Mr Vesco was accused of trying to defraud the Cuban government and foreign investors in a project to develop an alleged wonder drug, called TX, supposedly effective against cancer and AIDS...

Samper fined for noisy landing

French authorities fined Colombian President Ernesto Samper \$10,000 for making an unusually noisy landing with his Boeing 707 presidential jet at Orly airport in Paris, the Colombian news magazine Semana reported yesterday. Semana said Mr Samper, who suffered the indignity of having his US tourist visa revoked last month, was cited during an official visit to Paris last week for violating noise pollution controls. Orly also charged an additional \$1,000 for landing rights.

DR opposition wooed

Dominican Republic President-elect Leonel Fernandez met opposition party members on Sunday to bolster his party's weak showing in congress. Set to take office on August 16, Mr Fernandez hopes to sell power plants and revise financial laws, which would require opposition support since his Dominican Liberation party controls less than 10 per cent of the legislature.

Buenos Aires mayor walks into self-rule row

Mr Fernando de la Rúa of Argentina's opposition Radical party takes over today as the first elected mayor of Buenos Aires amid bitter arguments over how much autonomy the capital should enjoy. Mr Carlos Ruckauf, the country's vice-president, described as "an uprising" the declaration on Friday by the Buenos Aires constituent assembly that it would press for full autonomy, including the right to hold legislative elections and to set up a local police force and judiciary.

"Buenos Aires is not a province, it is a municipality," said Mr Ruckauf, who represents the governing Peronist party on the constituent assembly. As such it was subject to various restrictions by federal authority, he said. The constituent assembly, elected in June to draw up the statutes for the city, is dominated by opposition parties, most notably the centre-left Frepaso alliance.

The Radical party of Mr De la Rúa has the second highest number of delegates, with the Peronist party beaten into an embarrassing third place. Mrs Graciela Fernández Meijide, who heads the Frepaso delegation, said she would fight for the "total autonomy of the city", and resist all attempts to limit the authority of its elected representatives by the federal government. Until the election of Mr De la Rúa, mayors were appointed by the president. Mr De la Rúa, who needs the

co-operation of the existing administration in Buenos Aires to ensure a smooth transition, has tried to play down the conflict. The new mayor, who takes over a rich city but one plagued by financial headaches, is also keen to preserve good relations with the national government, with which he will have to negotiate future tax-sharing arrangements. Nevertheless, Mr De la Rúa has made clear he will not accept federal intransigence in Buenos Aires affairs. "The declaration of the

assembly was appropriate," he said. "The autonomy of the city should be broad and, when the time comes, it will be." More than one newspaper columnist has likened that from today President Carlos Menem will be a "guest in De la Rúa City". The president, who does not want Buenos Aires to become an effective focus for the opposition, said he would take the matter to the Supreme Court if the constituent assembly persisted in its drive for autonomy.

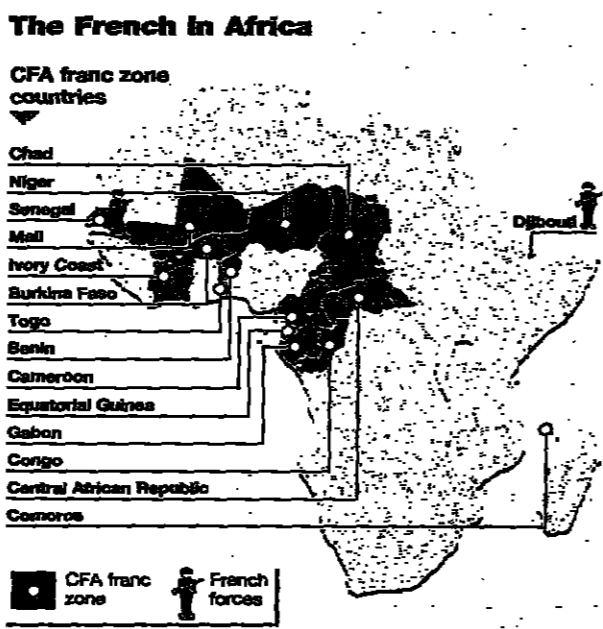
NEWS: INTERNATIONAL

Past stalks France's future in Africa

It was no coincidence, when France's President Jacques Chirac made his first visit to central Africa last month, that he chose to deliver his key speech in Brazzaville, on the banks of the Zaire river. It was in the Congolese capital, base for the exiled Charles de Gaulle's campaign to free France from Nazi rule, that the framework for relations between Paris and its soon-to-be-liberated African colonies was first laid. By speaking there, the Gaullist president was broadcasting reassurance to Francophone African leaders worried about Paris's commitment to the continent. "Plus ça change," the message went, "plus c'est la même chose" (the more things change, the more they stay the same). But the African leaders are right to be anxious. For analysts agree that, when it comes to France's policy on Africa, a battle for Mr Chirac's soul is taking place. It is a battle between two schools of thought, represented by two individuals. At one extreme is Mr Jacques Foccart, Gen de Gaulle's Africa adviser, recalled from retirement. At the other, the prime minister, Mr Alain Juppé, Mr Chirac's long-standing ally. Now a frail octogenarian, Mr Foccart is a living symbol of France's policy in Africa since independence. Critics often quip that what made France's decolonisation special was that it never decolonised at all. Gen de Gaulle's message to countries itching for indepen-

Michela Wrong on a policy battle for President Chirac's soul

dence was - you can go it alone and suffer the consequences, or you can stay close to your colonial master and profit accordingly. Those who accepted got French investment and what was in effect a hard currency: the CFA franc, guaranteed by France's Treasury. Collapsing economies were bailed out by France, which also provided protection from the ever-present threat of insurrection with nearly 9,000 French troops, stationed across the continent. In return French companies won the lion's share of government contracts and monopolised national markets, boxing potential competitors out of France's "private hunting ground". African presidents were covert contributors to the electoral campaigns of both right and left. They could also be counted on to support France in international forums such as the United Nations, allowing a small country a disproportionate level of clout, while propping up the campaign to maintain French as a world language. The cement binding this paternalistic arrangement were the extraordinarily intimate relations between a generation of French politicians, businessmen and African leaders. Central African Republic's "Emperor" Jean Bedel Bokassa, called Gen de Gaulle père (father). Gabon's President Omar Bongo was added to see if he was up to the job. Ivory Coast's President Félix Houphouët-Boigny, so loved France he



ended up spending more time there than at home. The cronysism was not exclusive to the Gaullists. Despite a famous speech in which socialist President François Mitterrand promised to make aid conditional on democratic reform, he turned a blind eye to abuses. His son, in true Foccart style, was friendly with Rwanda's genocidal leadership, among others. Word went out that from now on, aid would go to projects rather than be pumped straight into countries' treasuries. Above all, it would only be awarded to nations meeting International Monetary Fund criteria. It was during Mr Balla-

state becomes insupportable. Last year Paris provided \$8.4bn in aid - some 0.65 per cent of GDP - to developing countries, most of them African, compared with Britain's 0.28 per cent. A recent report on aid, commissioned by Mr Juppé, is regarded by many as pointing the way ahead. Arguing that France's position in Africa is so strong it does not need a "special relationship" to protect its interests, deputy Yves Marchand called for an end to "tied aid" and the establishment of a level playing field when competing for contracts. Regarded as a trial balloon, the report falls in the Juppé, rather than Foccart tradition. But for many critics of French policy, the shift will come too late. Favoured status quo, France has associated itself indelibly with the likes of Togo's Gnassingbe Eyadema, Cameroon's Paul Biya, Zaire's Mobutu - men with blood on their hands and fat bank accounts abroad. As was seen in Rwanda - where the new regime has nothing but contempt for Paris - young Africans are unlikely to forget France's role once such "dinosaurs" quit the stage. "In years to come, France will be regarded by Africans as a country that abandoned them economically and at the same time failed to free them from oppression," says Mr Olivier Vaile, a specialist on the CFA franc. "From the French side we've gone to a colder, saner relationship. From the African side there's a terrible feeling of disappointment."

Clinton plea to US allies over Iran and Libya

President Bill Clinton yesterday signed a controversial bill imposing new sanctions on Iran and Libya and said he hoped US allies could be persuaded to co-operate with the measures against "two of the most dangerous supporters of terrorism in the world". The move, which also targets foreign companies making energy investments in Libya and Iran, aroused anger - and prompted warnings of retaliation - from European allies of the US. Germany said the US was taking a "wrong path". France warned the US that the European Union would strike back. The European Union has fiercely opposed the sanctions and threatened counter-measures. Sir Leon Brittan, vice-president of the European Commission, yesterday condemned the legislation because it "establishes the unwelcome principle that one country can dictate the foreign policy of others". The legislation requires the US president to impose sanctions on foreign companies which invest \$40m or more within a year in the energy sectors of Iran and Libya. He would be required to impose at least two sanctions from options which include: Import and export bans; Landing embargoes from US banks; A ban on US procurement of goods and services from sanctioned companies; A denial of US export financing. Heightened tension between Iran and the US has pushed oil prices higher. Brent Blend for September delivery rose to \$19.95 a barrel, up 41 cents from Friday's close, in early trading yesterday before falling back.

Signs of hope for Israel-Syria talks

Mr Benjamin Netanyahu, Israel's prime minister, said yesterday his government had submitted a proposal to Syria to renew peace talks amid speculation about a fresh diplomatic initiative in the Middle East. The announcement came during Mr Netanyahu's first official visit to Jordan as prime minister, and followed what he called encouraging words from King Hussein of Jordan about Syria's intention to resume the peace talks. King Hussein met Syrian President Hafez al-Assad on Saturday. "On our side there is readiness to renew the peace negotiations with Syria," Mr Netanyahu said. His comments fuelled speculation that Israel, the US and Jordan were co-ordinating a new initiative to revive comprehensive Middle East peace negotiations. The Israeli leader said his foreign policy aide had made a new proposal to Syria through the US last Friday. This move followed Mr Netanyahu's so-called "Lebanon first" proposal whereby Israeli troops would withdraw from a south Lebanese occupation zone if pro-Iranian Hizbollah guerrillas were disarmed and Israeli border security guaranteed. "Mr Netanyahu believes the 'Lebanon first' proposal, not a formal peace treaty, could build confidence with Syria. He welcomed next week's five-nation committee monitoring a limited ceasefire between Israeli forces and Hizbollah guerrillas.

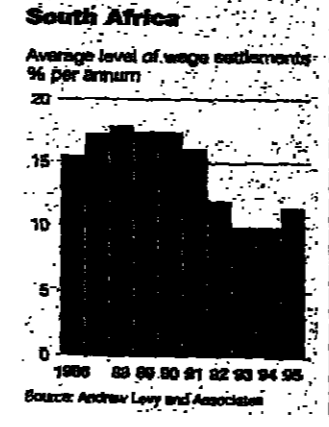
South Africa workers claim strike victory

South Africa's 80,000 textile workers returned to work yesterday claiming victory in their week-long pay strike. A month-long dispute at the world's largest platinum mine also appeared close to full settlement. But with the annual round of wage talks in full

swing the risk of industrial action remains in other sectors of mining, the railways, municipal services and the motor industry. The average level of pay settlements last year was 11.5 per cent but, with inflation having eased to 7.5 per cent and the rand's 20 per cent fall against the dollar since February likely to push up costs, employers

were expected to put up tougher resistance. The textile workers claimed yesterday management had conceded a further 1 per cent pay rise. Both sides settled on a 9 per cent rise, 2 per cent more than initially offered, and 1 per cent below the union demand. Work was also returning to normal yesterday at the

Rustenburg platinum mines where Anglo American last month dismissed 28,000 workers after what it said were impossible demands. Mr Tito Mboweni, the minister of labour, intervened in the dispute at the weekend following management warnings that the security situation at the mine was deteriorating. This followed the murder of a security guard, and a group of armed men intimidating workers at one of the mine hostels. After two days of talks between Mr Mboweni, the mine managements and an unofficial workers' committee, it was agreed that the company would extend until August 16 the deadline for all dismissed workers to reapply for their jobs.



صوتنا من الاعمال

NEWS: UK

Biggest drop for three and half years gives chancellor useful ammunition

Industrial output suffers big fall

By Robert Chote, Economics Editor

British industry suffered its biggest fall in output for three and a half years in June, giving the chancellor of the exchequer useful ammunition if he wishes to argue for another cut in UK interest rates.

The 0.3 per cent drop in factory output in June surprised statisticians who had assumed there would be no change when they drew up the estimate of economic growth in the second quarter, published last month.

Simon Briscoe, at Nikko Europe. "The 3 per cent growth in 1996 manufacturing output, forecast by the Treasury in the summer forecast, will not be achieved from a standing start."

metals and other manufacturing contracted. Most City economists concluded the figures did not justify another cut in base rates from their current 5.75 per cent, especially as separate figures showed that cash circulating in the economy continues to grow.

narrow money supply measure M0 - which also includes banks' balances at the Bank of England - fell slightly, from 7.4 to 7.1 per cent. "The continued buoyancy of narrow money in July suggests that consumer spending remains reasonably strong," said Mr Michael Saunders, of Salomon Brothers.

Post Office loses monopoly as strikes go on

By Robert Taylor, Employment Editor

In an escalation of Britain's increasingly bitter postal dispute the government announced yesterday that the Post Office's monopoly of the letter delivery service was to be suspended from midnight last night for an initial one month period.

refusing a ballot the union is denying the very people whose future is affected by the settlement to have a say on it," he said.

He said the proposed settlement contained a guarantee of full-time employment and job security until at least 2000, a one and a half hour cut in the basic working week and moves to five day a week working, six weeks' holiday, improved training and pay rises of 5 to 37 per cent, with a new minimum wage of £5.28 (£8.23) an hour. The union executive, however, remains opposed to the principle of team-working.

Mr Roberts said the suspension of the monopoly was a "sad day" for the company. He said customers were already choosing alternative services, Royal Mail's reputation was being dented and postal workers were losing an average of £40 for every day of striking.

TNT, Britain's largest parcel carrier, said the government would have to suspend the postal monopoly permanently before the company could provide a cost-effective nationwide mail delivery service. UPS, the world's largest package distribution company, said it had no plans to offer an alternative.



First step: Gavin Casey, London Stock Exchange chief executive, yesterday on the first day in his new job. Mr Casey replaced Michael Lawrence, who left the exchange in January

Lloyd's Names win right to challenge recovery plan

By Ralph Atkins, Insurance Correspondent

Rebel Lloyd's of London Names yesterday jumped the first hurdle in challenging the legality of the insurance market's recovery plan by winning the right to a judicial review next week.

The 3,000-strong Paying Names' Action Group, representing Names - individuals whose assets have traditionally supported the market - who have met their Lloyd's commitments, hailed the High Court ruling. It said it was "a historic moment which vindicates the determination of our members".

A hearing will start on Monday and is expected to last three days. Judgment is expected well ahead of the August 28 deadline by which Names must decide whether to accept the market's recovery plan, which includes a £3.2bn out-of-court settlement offer to all Names.

Lloyd's - which rejects the action group's case - did not object to the application being heard, saying that it was "essential" that its arguments in favour of the recovery plan were transparent.

Securities firms to be judged on 'risk'

By Nicholas Denton

The Securities and Futures Authority, the regulator of the UK securities industry, is developing a ratings system which marks stockbrokers and investment banks on a scale of risk from one to five.

Tax claim time limit comes under fire

By Jim Kelly, Accountancy Correspondent

The UK government was yesterday warned that a three-year limit on businesses backdating claims for wrongly paid value added tax was probably in breach of European law and Britain's 1988 Bill of Rights, and could lead some taxpayers to break the rules.

In an outspoken letter to Mr Kenneth Clarke, the UK Chancellor, the Institute of Chartered Accountants of Scotland said it had been "bombarded" with complaints about the time

bar, announced on July 18. Mr Derek Allen, director of taxation at the institute, said: "Unless it is reconsidered and withdrawn there must be concern that it could lead to reduced compliance and even rebellion."

Details of the new three-year time bar will be published soon for inclusion in Britain's 1997 finance bill. The Treasury said: "Clearly we have to balance the needs of business against those of the general taxpayer. This will go before parliament and it will have a chance to debate it."

UK authorities can examine taxpayers' tax affairs dating back six years, or 20 years in the case of serious fraud, yet the taxpayer was to be limited to three. He said some taxpayers had spent a lot of money preparing claims going back many years. As a result, he added, some might be tempted to regain the lost VAT by bending the rules, although the institute would not condone such action.

Directors' incentive schemes at odds with investors

Although the L-Tip is a popular bonus, shareholders complain it can be too complex and too generous

Confusion reigns among companies and investors grappling with the new fiduciary compensation - the long-term incentive plan, otherwise known as L-Tip.

With 57 per cent of FT-SE 100 companies now operating such bonus plans for executives, and 86 per cent of companies in the All-Share index, L-Tips are fast becoming one of the most important elements of top directors' pay.

larity of the schemes, institutional investors, who are required to approve the introduction of L-Tips at companies, have been raising serious concerns. They say that the bonus schemes are becoming too complex and overly generous. Several fund managers, such as Norwich Union and Standard Life, are now routinely abstaining or voting against L-Tips at companies' annual meetings.

The controversy over L-Tips has been heightened recently by privatised water and electricity companies also seeking shareholder approval to add L-Tips to their directors' pay packages. Before the recent annual meetings of privatised companies, stakeholders such as staff and customers, and Pirc, the corporate governance consultancy, expressed dismay at the potential awards available to directors.

For example, United Utilities, the Warrington-based multi-utility which recently best of a shareholder revolt against its L-Tip, complained that its institutional shareholders had very different views about how they wanted the scheme amended. As a result it was impossible to satisfy them all.

Companies also say that institutional investors have an inconsistent approach to voting on L-Tips. While the Association of British Insurers was willing publicly to criticise United's scheme for being "over-generous and

time to profit from options as well as L-Tip shares. Institutional shareholders and companies both say that they want the current state of confusion surrounding L-Tips to be resolved. Some argue that more detailed best practice guidelines need to be drawn up - probably by the ABI and the National Association of Pension Funds - covering the main areas of controversy.

● Performance measure. New Bridge Street research shows that the most common measure used in L-Tips is total shareholder return (TSR) - share price and dividend performance combined. However, a few institutional investors, such as the Prudential and Standard Life, insist that TSR performance targets must be "underpinned" by a requirement that there has been a sustained improvement in underlying financial performance.

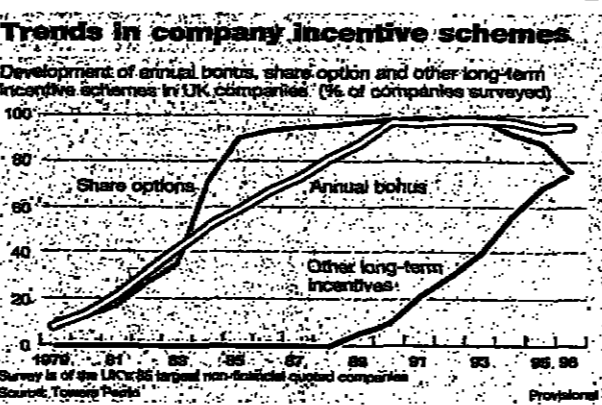
Despite these areas of concern, shareholders and companies that want more detailed guidelines appear unlikely to be satisfied. New Bridge Street argues that it is "virtually impossible to draw up hard and fast rules, and it would be wrong to try and do so". Instead, remuneration committees must take responsibility to ensure that plans are properly structured and not out of line with other companies.

Another possible solution to the current uncertainty comes from the US. Professor Charles Elson, a leading US corporate governance expert, argues that directors' bonus schemes should be radically simplified. He says that executives should be paid partly in ordinary shares, or even be forced to buy shares themselves.

● Size and timing of payouts. Institutional investors say that payouts under L-Tips should not be excessive, but remuneration committees face a tough task in deciding what that means. Another issue is whether directors should have to wait more than three years - perhaps as long as five years - before receiving their shares.

"The problem when you play games with numbers is that you can play games with performance," says Professor Elson. "Let's go back to incentivising and rewarding executives with stock and not make a simple idea complicated."

William Lewis



Development of annual bonus, share options and other long-term incentive schemes in UK companies (% of companies surveyed)

Handwritten note in Arabic script: "صكنا من الاعمال"

UK NEWS DIGEST

March diverted in N Ireland

The Royal Ulster Constabulary, the Northern Ireland police force, yesterday re-routed Saturday's Apprentice Boys parade by loyalists in Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Apprentice Boys march in Londonderry on the same day.

OIL TECHNOLOGY

Platform to be refloated

Phillips Petroleum says it intends to refloat its 110,000 tonne Maureen platform in the North Sea as part of a plan to sell the structure for reuse elsewhere in the world. If successful, it would be the world's first refloating of a gravity-based platform.

NORTH SEA

Capital spending 'to fall sharply'

Capital spending on new North Sea oil and gas projects is expected to fall sharply after the turn of the decade, according to findings published by Wood Mackenzie, the Edinburgh-based energy consultants, in its annual analysis of UK offshore trends.

WELFARE

Benefit claims reduction trebled

More than 300,000 unemployed people have had their benefit cut during the past 12 months under stricter government enforcement of conditions for receiving state financial support.

TELECOMMUNICATIONS

Crackdown on prostitutes' adverts

British Telecommunications is to alter the terms and conditions for residential customers renting more than 20 million telephone lines in an attempt to crack down on prostitutes' advertisements in telephone boxes.

Vertical advertisement on the right edge of the page for Electrolux, featuring the text 'Electrolux falls 35 sales soft' and other illegible text.

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday August 6 1996

LEGAL DEFINITIONS... Rowe & Maw... LAWYERS FOR BUSINESS

COM IE Interleasing... HOW DO YOU CONTROL THE COSTS OF CARS, IF THEY KEEP MOVING?

IN BRIEF Electrolux falls as sales soften

Electrolux of Sweden, the world's largest manufacturer of household appliances, warned that demand for its products in Europe had fallen for the fifth quarter in succession...

Price pressures hit Nycomed's first half

Shares in Nycomed, the Norwegian pharmaceuticals group which demerged from the Halden energy group earlier this year, tumbled 9 per cent after it reported a 26 per cent fall in half-year pre-tax profits to Nkr678m (\$143.5m)...

Hypo-Bank advances 22% to DM556m

Bayerische Hypothek- und Wechsel-Bank reported a 22 per cent rise in first-half operating profits to DM556m (\$378.2m) in spite of an increase in risk provisions and a decline in own-account trading income.

Great Eagle revives spin-off plan

Great Eagle Holdings, the Hong Kong property and hotels company, said it was renewing plans for a HK\$3bn (US\$387m) spin-off of its office and commercial properties projects.

GE Capital buys life group for \$1.8bn

GE Capital, the financial services arm of General Electric, reaffirmed its position as one of the most active buyers of US life insurance companies as it unveiled a \$1.8bn acquisition of Virginia-based First Colony.

Settlement clears way for Inco deal

Inco, the Canadian nickel producer, is poised to proceed with its C\$4.5bn (US\$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors.

Eurotunnel claims market share gains

Eurotunnel, the Anglo-French operator of the Channel tunnel, announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals.

Mexican gas unit to reopen after blast

Petroleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility accounting for one-third of the country's capacity. The plant was badly damaged by an explosion 10 days ago.

Table with 3 columns: Company Name, Share Price, and Change. Includes Allied Irish Banks, Amer Oy, American Airlines, BAWIA, British Airways, Diamond Fields Res, Electrolux, Europe OnLine, Eurotunnel, FHP International, Filtronic Comtek, First Colony, GE Capital, Great Eagle, HDFC, HSBC, Halm Company, Hang Seng Bank, Healthsource, HongkongBank, Humana, Hypo-Bank.

Market Statistics table with columns for various indices like Annual reports service, Benchmark Govt bonds, Bond futures and options, etc.

Chief price changes yesterday table with columns for various stock indices like Frankfurt (DAX), Nikkei, Dow Jones, etc.

UBS lifts income by one third

Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SF1.1bn (\$323.2m) with a surge in profit from its trading and investment banking operations...

mance owes a lot to the "exceptionally favourable" conditions in world financial markets in early 1996. Net income from trading rose by more than 50 per cent to SF1.5bn, equal to three-quarters of the figure for all of last year...

fell SF9 to SF1.184 yesterday, in spite of a 0.6 per cent rise in the Swiss stock market. The weakness in UBS's shares may have been partly due to its warning that results for the second half of 1996 were unlikely to be as strong...

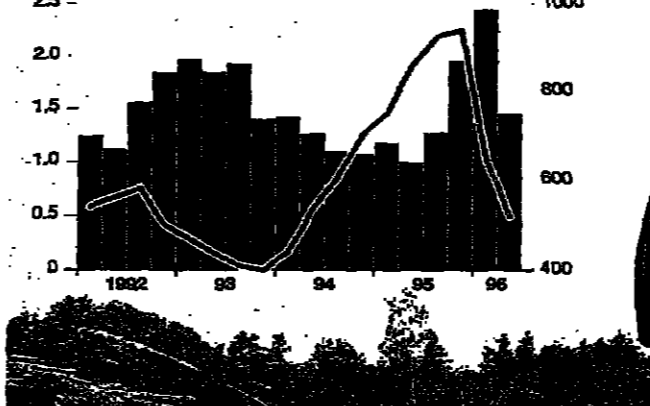
the real estate market have now spread to its commercial customers who are "increasingly facing difficulties on an unexpected scale". The bank said it expected provisions to remain high in the second half.

per cent to SF1.8bn, or almost twice as fast as the rise in total assets to SF41.8bn. The other strong feature was the 34 per cent rise in fee and commission income, to SF2.1bn. The figures were helped by SF218m of income arising primarily from the sale of 300,000 shares of Societe Generale de Surveillance, a Swiss inspection group...

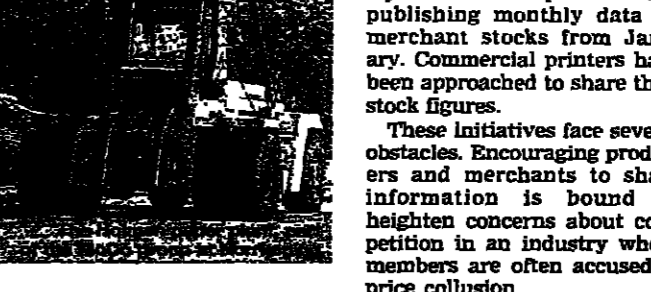
Pulp and paper groups, savaged by price volatility, are having a change of heart

Sector hedges its bets to gain stability

Pulp and paper executives, battered by dizzying price swings over the past three years, have launched an unprecedented search for ways to soften the boom-or-bust cycles that have long plagued their business.



buyers to hedge future commitments, thereby offering a measure of price certainty and stability. The Finnish Options Exchange in Helsinki plans to launch an international options and futures market for NBSK pulp, a benchmark product, on September 9.



He predicts it could challenge the notion of integration in the forestry sector which has seen pulp companies acquire paper companies to insulate themselves against volatile prices. In the UK, McKenna & Co, a law firm, is spearheading an initiative to set up an electronic derivatives market with pulp and paper among its maiden contracts.

US managed health groups combine in \$2.1bn deal

The US's managed healthcare industry witnessed another big takeover yesterday, this time bringing together the Californian companies PacifiCare Health Systems and FHP International to create the country's fifth largest organisation of its kind.

came close to buying another West Coast managed care company, WellPoint, 18 months ago. Since then, FHP has suffered stuttering growth, weakening margins and upheaval in its executive suite.

ive, forcing it to buy medical services elsewhere. The two companies, which are roughly equal in size, would have had combined revenues of \$3.6bn last year, and a network that extends across 15 states.

The \$2.1bn acquisition by PacifiCare reflects the same pattern of consolidation and other large combinations in the sector: the need to build networks with a broader geographic reach to serve big companies and other buyers of healthcare, and the pressure to contain costs.

Pearson sells titles for £305m

Pearson, the UK information, publishing and entertainment group which owns the Financial Times, yesterday announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m (\$475.8m).

quest for the business. Mr Frank Barlow, Pearson managing director, said the disposal reflected Pearson's strategy of concentrating on international markets for its information, education and entertainment products.

unveiling reduced pre-tax profits of £30.2m, against £50.5m a year earlier, in spite of sales of £389.6m, up from £780.9m, for the six months to June 30. Pearson blamed the decline chiefly on £38.8m of operating losses and restructuring charges at Mindscape, the US software publishing company acquired in 1994 for £330m.

Advertisement for HAMPTONS GROUP LIMITED, Acquisition of The London Residential Agency, £10,500,000, Led, structured and arranged by NatWest Ventures, Equity provided by NatWest Ventures, NATWEST VENTURES logo.

March dividend in N Ireland, form to be returned, spending to fall sharply, claims reduction troubled, investors and too generous, William Lewis

COMPANIES AND FINANCE: EUROPE

Electrolux sees signs of upturn in Europe

By Greg McIvor in Stockholm
Electrolux of Sweden, the world's largest manufacturer of household appliances, said yesterday demand for its products in Europe fell for the fifth quarter in succession. However, it said there were signs that the slump was bottoming out.

other product divisions. The group reported a 14 per cent fall in first-half pre-tax profits, from SKr2.1bn to SKr1.8bn (\$273.9m). This was slightly better than market expectations and helped lift the company's B shares SKr12 to SKr14.7.

PROFILE ELECTROLUX
Market value: \$3.6bn Main listing: Stockholm
Historic P/E 5.33
Gross yield 3.72%
Earnings per share SKr14.7
Current share price SKr947
Share price relative to the Allshare index 120

Czech bank held back by growth in costs

By Vincent Boland in Prague
Komerční Banka, the Czech Republic's largest commercial bank, yesterday reported a decline in pre-tax profits in the six months to June 30, blaming higher administrative costs. Net profit, however, was unchanged on the same period last year.

Hypo-Bank disappoints with 22% rise

By Andrew Fisher in Frankfurt
Bayerische Hypotheken- und Wechsel-Bank yesterday reported a 22 per cent rise in first-half operating profits, to DM556m (\$378.2m), despite an increase in risk provisions and a decline in own-account trading income.

healthy increases, reflecting improved mortgage business, robust securities markets, and restraint in cost growth. But provisions were 14 per cent higher at DM639m.

higher at DM2.25bn; mortgage business, helped by rising demand for housing finance, was 18.5 per cent higher, and normal lending business rose nearly 5 per cent.

Pricing pressures hit Nycomed's first half

By Greg McIvor
Shares in Nycomed, the Norwegian pharmaceuticals group, tumbled 9 per cent yesterday after it reported a 26 per cent fall in half-year profits.

NKR915m, on sales of NKR3.89bn against NKR4.26bn, following a deterioration in the second quarter. Investors expressed their disappointment by off-loading Nycomed stock.

offer discounts of up to 60 per cent for new contracts. However, the group said it had held its US market share in the battle with rivals, which include Bracco and Mallinckrodt of the US, and Schering of Germany.

NEWS DIGEST

Europe Online seeks rescuer

Buyers are being sought for Europe Online, the fledgling Internet service provider, after it was declared bankrupt by the Luxembourg commercial court less than a month after its main shareholder withdrew funds.

Roussel Uclaf ahead 45%

Roussel Uclaf, the quoted French subsidiary of Hoechst, the German pharmaceuticals group, yesterday reported net income up 45 per cent to FF1.04bn (\$207.2m) for the six months to June 30.

Amer Oy unveils revamp plan

Finnish sporting goods group Amer Oy yesterday told the London Stock Exchange it was restructuring its Wilson division to improve profitability in golfing equipment.

Sales stronger at UAP

UAP, the French insurer, said sales rose 5.4 per cent to a provisional FF65.4bn (\$1.7bn) in the six months to June from a year earlier.

GENERAL MEETINGS OF BONDHOLDERS
Notice of Meeting
Holders of the bonds listed below, issued by Crédit local de France, are invited to attend the General Meetings to be held on Wednesday August 14, 1996 at Crédit Local de France, 7 - 11 quai André Chénier, 75015 Paris, France, at 2:00 p.m.

Ireland U.S. \$100,000,000 Private Placement Issue Floating Rate Notes 1997/2000 (Coupon No. 23)
Pursuant to Note conditions, notice is hereby given that for the interest period 6th August, 1996 to 6th February, 1997 (184 days), an interest rate of 5% per cent. per annum will apply.

SGA SOCIÉTÉ GÉNÉRALE ACCEPTANCE N.V. FFR 1,000,000,000 REVERSE FLOATING RATE NOTES DUE FEBRUARY 2, 2004
For the period August 02, 1996 to November 04, 1996 the new rate has been fixed at 7.946375 % P.A.

SAM FOOTITT Formerly a Director of Shell (UK) Limited, has joined the Board of BILLITON METALS LIMITED as a Non-Executive Director.

Les Echos The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership.

FIDELITY FUNDS Société d'Investissement à Capital Variable Registered Office: L-1021 Luxembourg, B.P. 2174

NOTIFICATION TO THE SHAREHOLDERS Shareholders are hereby informed that several amendments have been brought to the content of the current Prospectus of the SICAV. The amendments are the following and shall only be effective on September 6, 1996, one month after the date of the sending of the present notice:

Inkel Corporation (Incorporated in the Republic of Korea with limited liability) To the Holders of the Company's U.S. \$20,000,000 ¾ per cent. Convertible Bonds 2003

Notice of an Extraordinary Resolution Duty Passed Notice is hereby given that, at a Meeting of Bondholders held on 25th July, 1996 at the offices of Chase Manhattan Trustee Limited ('the Trustee') at Woodgate House, Coleman Street, London EC2P 2HD the following Extraordinary Resolution (as defined in the Trust Deed dated 20th June, 1994) between the Company and the Trustee was approved by the Bondholders:

THE PRINCIPAL PAYING AGENT The Chase Manhattan Bank Woodgate House, Coleman Street, London EC2P 2HD
PAYING AGENT Chase Manhattan Bank Luxembourg S.A. 5 rue Princesse, L-2398 Luxembourg-Grand

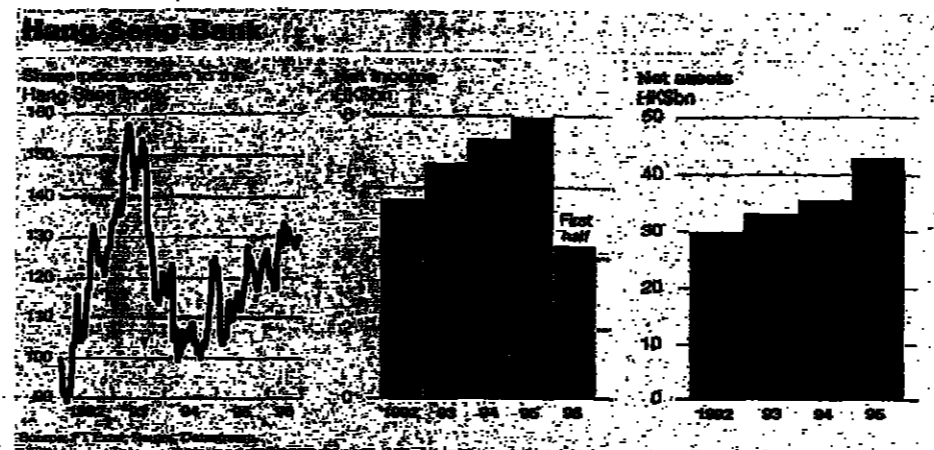
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COMPANIES AND FINANCE: ASIA-PACIFIC

Hang Seng advances 34% in first half Great Eagle to renew HK\$3bn spin-off plan

By Louise Lucas in Hong Kong
Hang Seng Bank, the listed subsidiary of HSBC Holdings and Hong Kong's second-biggest quoted bank, yesterday trumped market forecasts by reporting a 34.4 per cent rise in interim net profits, from HK\$9.24bn in the first half of 1995 to HK\$12.45bn (US\$1.62bn) in the same period this year.

as the loan book grew and the net interest margin rose from 2.68 per cent a year for the first half of 1995 to 3.12 per cent for the same period this year.
Advances to customers, net of provisions, increased 17.8 per cent year on year, to HK\$148.1bn, fuelled mainly by corporate lending and residential mortgages.



Mr Alexander Au, chief executive, warned against expecting an equally robust second half, as price competition was intensifying. However, many analysts revised their full-year forecasts upwards.

But Mr Au said the ratio of non-performing advances to total advances, at 0.6 per cent from last year's 0.5 per cent, reflected the continuing high quality of its loan book.

Earnings per share grew 34.4 per cent, from HK\$1.68 to HK\$2.25, and the directors are proposing to double the interim dividend from HK\$0.60 to HK\$1.25.

By Louise Lucas
Great Eagle Holdings, the Hong Kong property and hotels company, yesterday said it was renewing plans for a HK\$3bn (US\$387m) spin-off of its office and commercial properties projects. The group will retain an interest of more than 60 per cent in the new company.

HDFC approves 20% more loans Modiluft in collaboration talks

By Tony Tassell
Loans approved by India's Housing Development Finance Corp, the country's largest provider of housing finance, totalled Rp8.52bn (\$230m) in the period from April to July, an increase of 20 per cent on the Rp7.13bn

achieved in the same period last year.
Mr Deepak Parekh, HDFC chairman, said it planned to raise Rp200m through an issue of non-redeemable, non-convertible preference shares.

with a coupon rate of 12.5 to 14 per cent. The corporation, which runs a retail banking joint venture with NatWest Markets, ruled out any equity dilution this year.

Parekh said the HDFC's new office in Dubai had made a strong start with 40 loan approvals in the first two months of operation. The average loan was Rp700,000.

Modiluft, the Indian domestic airline, is holding talks with several international airlines over a possible alliance or joint venture.

been in talks aimed at building closer marketing and management ties with the Indian group.

The company blamed poor productivity for the closure, saying workers had failed to meet agreed targets. The plant, a joint venture between India's Premier Automobiles Ltd (PAL) and Automobiles Peugeot of France, builds Peugeot 309 and Premier 118NE models.

Ital-Thai finds a novel way to achieve expansion

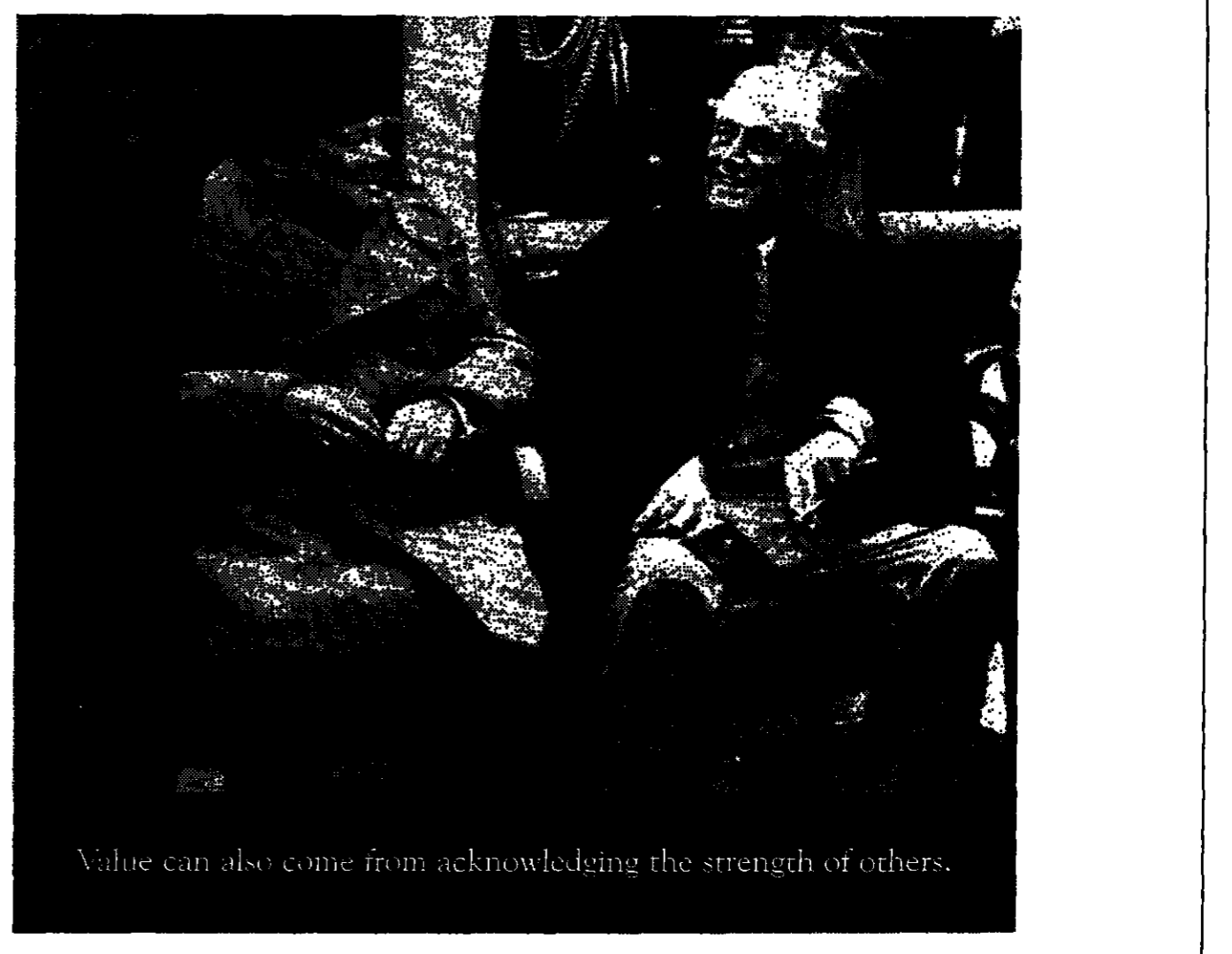
The international airport in Mandalay does not inspire confidence. From the muddy car park, passengers walk a rickety wooden footbridge to a small unkempt terminal where overhead fans circulate more flies than air. Walking to their aircraft, they are separated from the spinning propellers by nothing more than a red roof.

take minority equity stakes in big projects.
"We want to grow 15 to 20 per cent annually," explains Mr Chatichai Chutima, vice-president of finance at Ital-Thai. "We're afraid that if we stay in Thailand to reach that goal we will have to cut costs and margins."

750 hectare land reclamation project in Manila, with overseas Chinese investors including the Hong Leon Group of Malaysia and Bangkok Bank and City Realty, both owned by Thailand's Sophonpanich family.

But although it has chosen not to set up an international contractor, Ital Thai has begun to evaluate the projects it gets involved in differently. "We are looking at countries' priority projects. The Philippines and Burma both took less than a year to negotiate. That's quite quick because they are things they have to finish. That way the process moves faster."

Under the terms of their agreement, workers have to produce 16 309 models and 60 Premier 118NE models each day, but are seeking more pay for more productivity.



Value can also come from acknowledging the strength of others.

ON AUGUST 1, 1996 WOLFENSOHN & CO. AND BANKERS TRUST MERGED OPERATIONS. Bankers Trust welcomes its new partners from Wolfensohn & Co., a firm whose reputation and track record as a substantive creator of value for its clients has been established at the highest levels.



NOTICE TO HOLDERS OF US\$50,000,000 4% BONDS DUE 2005 (the "Bonds") of FAR EASTERN TEXTILE LTD (the "Company")

Export Development Corporation U.S. \$100,000,000 Collateral Floating Rate Notes due February 5, 2003 Series "YV"

August 6, 1996 By Citicorp Trustee Company Limited CITIBANK

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COMPANIES AND FINANCE: THE AMERICAS

GE Capital spends \$1.8bn on First Colony

By Richard Waters in New York

GE Capital, the financial services arm of General Electric, yesterday reaffirmed its position as one of the most active buyers of US life insurance companies as it unveiled a \$1.8bn acquisition of First Colony, a company based in Lynchburg, Virginia.

The agreement follows a decision by First Colony's board two months ago to put the company up for sale. Before talk of a sale began to emerge, the company's stock was trading at below the \$28 at which it was floated on in 1992, putting its directors under pressure to find a way to lift its share price.

The acquisition will add \$1bn of assets to GE Capital's annuity and pension operations, which are centered around its GNA subsidiary.

Mr Michael Fraizer, senior vice-president for investment products, did not rule out further acquisitions by GE Capital, but said the company would now concentrate on expanding its existing insurance operations.

The acquisition of First Colony will reinforce GE Capital's range of products in three areas where it is not presently strong, Mr Fraizer said.

These are: structured settlements, which are annuity-like contracts bought by recipients of court awards or disability settlements; retirement annuities; and term insurance.

In an industry where size

Falling profits speed consolidation of HMOs

This is not turning out to be a happy year for the US's managed healthcare companies.

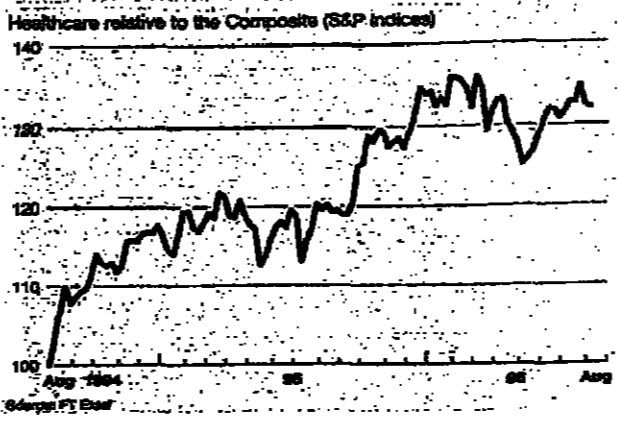
An erosion of profit margins has come as a nasty surprise on Wall Street. Politicians across the nation, prompted by complaints from patients, have hit back with new regulations.

For the companies, which this decade have been in the vanguard of the US's successful assault on medical costs, this has made for an uncomfortable few months.

There is one thing, however, that has not changed: the pace of consolidation that is transforming the industry. Over time, this may prove to be the best way for the managed care companies to reinforce their faltering profit margins. But it seems unlikely to win them back friends in state legislatures across the country, or in the boardrooms of companies that pay their premiums.

Yesterday's \$2bn acquisition of FHP International by PacificCare Health Systems gave a lift to the share price

US healthcare



source, one of the industry's biggest companies, turned in bad first quarter earnings and has since suffered a 70 per cent share price slide.

Humana issued a warning about its rising medical costs in early June and saw its shares lose a fifth of their value in a single day.

Then, in early July, it was the turn of United Healthcare, the country's biggest managed care company. Its shares dropped on news of

customers. To win new customers, HMOs are now having to fight on price.

They are also being forced to offer a wider range of services, in turn lifting their costs. Pressure from local politicians is also nudging HMOs into ensuring that patients are given access to a wider range of services.

FHP has been among the industry's laggards: its growth rate has slowed at the same time that it has been forced to cut premium rates. Also, it has suffered from running its own inefficient medical centres. To reinforce its earnings, the company has already moved to separate the medical centres into a new entity and has hunkered back its workforce by 15 per cent over the last 12 months.

PacificCare, with a better record of growth and cost control, should accelerate these changes.

The new company will also be a leader in the corner of the US managed care market which has the best growth prospects: insuring retired people. As the Medi-

Richard Waters

Pharmacia sales unchanged

By Daniel Green

Problems in Japan and the US, and with currency movements, left second-quarter sales at Pharmacia & Upjohn, the US-Swedish drugs company created by a merger last year, barely changed at \$1.5bn.

But cost savings as a result of the merger boosted net profits, before restructuring costs, to \$269m from \$240m.

Earnings per share grew 11 per cent to \$0.51 for the quarter ending June 30 1996. This excludes merger and

Inco to go ahead with deal

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, is set to proceed with its \$4.3bn (US\$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors.

Diamond Fields, whose main asset is the vast Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador, has agreed to pay US\$25m to the Texas group,



Although K. C. Irving died in 1992, his will is still secret

New Brunswickers play guessing game over Irvings

Saint John, the commercial hub of the Canadian province of New Brunswick, is a rarity in the cut-throat world of North American business. The city's shipyard and oil refinery (each the biggest in Canada), its daily newspaper, the bus company, the three pulp and paper mills on the outskirts of town, most service stations and hardware stores, and much else besides, all belong to one family: the Irvings.

The Irvings' reach extends well beyond Saint John. They own 2.5m acres of forest in rural New Brunswick, and have cutting rights to about the same area of land owned by the province. More than 1,000 Irving Oil service stations dot eastern Canada and New England. The family owns New Brunswick's biggest home builder, several long-distance

trucking companies with hundreds of vehicles, and one of Canada's leading potato producers.

Based on a rough calculation, the Irvings' publicly-disclosed assets are worth about C\$4bn (US\$2.9bn).

One thing is certain, however. The Irvings, like several of Canada's other close-knit business families, are in the middle of a transition period that will determine the future stability of their empire.

The family patriarch, Mr K. C. Irving, died in 1992 at the age of 93, almost 60 years after acquiring his first Ford dealership in rural New Brunswick.

The contents of his will, like most other things about the Irvings, are a closely-guarded secret.

The various Irving businesses are now run by KC's three sons, Jim (also known as JK), Arthur

and Jack. The brothers, known to locals as Oily, Greasy and Gassy, are all in their 60s.

Five of KC's six grandsons, mostly in their 30s and 40s, are also in the business. The first member of a fourth generation of Irvings has recently surfaced as a journalism trainee at the Saint John Telegraph-Journal.

Mr Jim Irving Jr, KC's oldest grandson, says: "We all operate in our own areas, but we work closely together."

In keeping with the family's reputation as ferociously hard workers, Mr Irving adds: "Any meetings are very informal. We're more concerned with getting the job done and keeping things running. If anyone wants to do business Saturday night or Sunday morning, we're open for business."

New Brunswickers grudgingly acknowledge that the Irvings have brought capital and jobs to the province that might otherwise have gone elsewhere. "They do so much for the province," says one retired politician. "The question is whether we'd be better off if there was more competition."

Mr Frank McKenna, the province's premier, generally echoes the sentiment that the family has been good for New Brunswick as a whole. But he says their overwhelming presence in Saint John may have stunted the growth of small business there. "They haven't allowed sunlight into the undergrowth," Mr McKenna says.

At the same time, however, the Irvings appear to sense their limitations. Their assets are confined almost entirely to the relatively isolated markets of Atlantic Canada and New England.

Mr Kenneth Irving, one of KC's grandsons, told the Saint John Telegraph-Journal last month that "we go where the blueberries aren't quite as thick and that's where we do our picking".

The family has recently shown signs of straying from that rule. Irving Tissue last month signed a deal with Kimberly-Clark, the US paper group, to buy a paper mill near Albany, New York, as well as marketing rights throughout the US for Scotties facial tissues.

Scotties has a roughly 6 per cent share of the US tissue market.

The fate of the Irving fortune as KC's three sons approach old age is a perpetual guessing game in Saint John.

In theory, JK, Arthur and Jack are equals, each running separate parts of the business. There is little doubt however, that JK, aged 67, is *primus inter pares*

Bernard Simon

New Issue

This information appears as a matter of record only. The bonds described below have already been offered for sale.

August 5, 1996

The Dow Chemical Company
Midland, Michigan, USA

DM 300,000,000
5% Bearer Bonds of 1996 Due 1999

Issue Price: 101.50%

Dresdner Bank - Kleinwort Benson
Dresdner Bank Aktiengesellschaft

Deutsche Morgan Grenfell
Deutsche Bank Aktiengesellschaft

ABN AMRO Hoare Govett ABN AMRO Bank (Deutschland) AG	Bayerische Vereinsbank AG	CS First Boston Effectenbank Aktiengesellschaft
SBC Warburg Schweizerischer Bankverein (Deutschland) AG A Subsidiary of Swiss Bank Corporation	UBS Schweizerische Bankgesellschaft (Deutschland) AG	Westdeutsche Landesbank Girozentrale
Bank of Tokyo - Mitsubishi (Deutschland) Aktiengesellschaft	Bankgesellschaft Berlin Aktiengesellschaft	Banque Nationale de Paris S.A. Zweigniederlassung Frankfurt am Main
BZW Deutschland Branch of Barclays Bank PLC	Commerzbank Aktiengesellschaft	Dai-ichi Kangyo Bank (Deutschland) AG
Fuji Bank (Deutschland) Aktiengesellschaft	HSBC Trinkaus Trinkaus & Burkhart KGaA	ING Barings
Rabobank Deutschland AG	Société Générale S.A.	Sumitomo Bank (Deutschland) GmbH

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

\$962,000,000

Millicom International Cellular S.A.

13½% Senior Subordinated Discount Notes due 2006

These securities have been sold in the United States in private offerings that included sales pursuant to Rule 144A under the Securities Act of 1933.

Goldman, Sachs & Co.

Morgan Stanley & Co. Incorporated

Donaldson, Lufkin & Jenrette Securities Corporation

July 1996

Eurotunnel Market share

Virgin Atlantic talks with SWA

BA US

London place

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COMPANIES AND FINANCE: UK

Eurotunnel claims market share gains

By Tim Burt Eurotunnel, the Anglo-French operator of the Channel tunnel, yesterday announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals.

pean Ferries, however, said the entire cross channel market for tourist vehicles had grown 21 per cent in July on the short sea routes. Mr Russ Peters, deputy managing director of P&O European Ferries, said Eurotunnel's share of the market had been inflated by price cuts on its services.

carried on Eurostar services, meanwhile, rose from 308,027 to 529,230, taking the total so far this year to 2.7bn.

Purchase will double Newsquest

By David Blackwell Newsquest, owner of 120 UK regional newspapers, yesterday effectively doubled in size with the £306m (\$476m) cash acquisition of Westminster Press, the regional newspaper group.

were valued at £56.4m at the end of last year, and Pearson estimates that the sale will yield a profit of about £238m.

Newsquest is backed jointly by Kohlberg Kravis Roberts, the US investment firm, and CinVen, the UK venture capital group. Mr Jim Brown, chief executive of Newsquest, said: "We think we paid a fair price - I'm not suggesting we ran away with a bargain."

£205m management buy-out of local newspapers from Reed Elsevier. Yesterday the US group was joined for the first time by CinVen, which had previously been seen as a front-runner to buy Westminster Press outright.

average investment was for seven years. Mr Brown dismissed any suggestion the regional newspaper business was in decline as "a nonsense". People had said radio would kill papers, then television, and then cable - but it had not happened.

Virgin Atlantic talks with BWIA

By Bernard Gray Virgin Atlantic, the airline owned by Mr Richard Branson, is in talks with the Caribbean airline BWIA about a possible alliance between the two carriers.

BA rift with USAir widens

By Ross Homan British Airways lifted pre-tax profits 11 per cent to £150m (\$234m) in the three months to June 30, as travellers took to flying further, and first and club class seats improved in popularity.

faces a court case from USAir seeking to dissolve their alliance, said it was confident "all actions and agreements, including our proposed alliance with American Airlines, are consistent with the law and our obligations to USAir."

Hollywood head for Penguin

There are two salient features in the choice of Mr Michael Lynton as chairman and chief executive of Penguin.

Alice Rawsthorn on Michael Lynton's 'opportunity of a lifetime'



One is his age. At 36, he will be the youngest head of one of the world's largest book publishing groups. The second factor is that he is joining Penguin from a Hollywood movie studio, rather than another book publisher.

Mindscape loss hits Pearson

Pearson yesterday announced a sharp fall in first-half profits, as provisions and operating losses incurred at its Mindscape multimedia subsidiary dented an otherwise robust performance by the information, publishing and information group, writes Tim Burt.

The company, which owns the Financial Times, said it had been hit by losses and restructuring charges of £38.8m at Mindscape.

Lord Blakenham, chairman, said: "Our progress is obscured by the Mindscape losses, but management action there is well under way and does not distract us from the important task of driving Pearson forward."

The education division, reported increased operating losses of £22.4m (£15.9m), while there were losses of £6m (£38.1m profits) in the entertainment division.

London Fiduciary placing for £15m

London Fiduciary Trust, the Aim-listed company chaired by former England cricketer Mr Phil Edmonds, has raised a further £15.5m (\$24.2m) through an institutional placing to fund its gold mining and exploration ventures in the Philippines, writes Kenneth Gooding.

London Fiduciary placing for £15m

gold production from three mines in the Philippines 30, 155,000 troy ounces next year against 8,000 last year.

The programme involves total expenditure of \$37m. The company recently said its proven and probable gold reserves had jumped from 370,000 ounces a year ago to 4.5m ounces in a portfolio put together by Mr Frank Lubbock, an Australian mining engineer who is the biggest shareholder. His stake falls from 18 to 14 per cent.

Leica advertisement featuring the text 'Each Leica is an original in its own right - never a mere copy.' and an image of a Leica camera. Includes contact information for Leica Camera AG.

Advertisement for FTI Financial Times Information. Text: 'Need facts and figures in a hurry? We can track down the information you need.' Includes a list of services: Competitors, Markets, Customers, Background Research. Includes a contact form with fields for Name, Position, Organisation, Address, Country, Tel, Fax.

Vertical text on the left margin: 'of HMOS', 'Richard Waters', 'id with deal', 'ver Irvings', 'Bernard Simo', 'ellular S.A.', 'count Notes', 'Lufkin & Jenrette'.

COMPANIES AND FINANCE: UK

Midland to expand First Direct

By George Graham, Banking Correspondent

Midland Bank has given the go-ahead for further expansion of its First Direct telephone banking subsidiary to keep pace with a flood of new accounts.

10,000 new customers a month for another year. First Direct's growth, coupled with tight cost control in the main UK banking operations, helped Midland to a 24 per cent increase in pre-tax profits to £551m (£1.02bn) for the six months to June 30.

dropped to £1.13bn. The bank's cost to income ratio fell from 68 to 62.5 per cent. Midland is the principal UK division of the HSBC international banking group.

HSBC's chairman, said about 10 basis points of the drop in interest margin was attributable to the start-up of the UK's new gilt repurchase market.

rate derivatives boosting dealing profits. HSBC Investment Banking, which since April 1 has combined the James Capel equities business with the Samuel Montagu investment bank, increased pre-tax profit by 71 per cent to £174m, buoyed by the sale of most of the group's stake in Kay Hian James Capel, a leading Singapore stockbroker.

The Government of Punjab, Republic of India Department of Lotteries PUNJAB STATE LOTTERIES Agency to run On-Line Lottery. Tender Documents will be available at the addresses given below on receipt of a letter of interest accompanied with a bank draft of Rs.10,000, drawn in favour of 'The Director - Punjab State Lotteries' payable at Chandigarh.

Table with 4 columns: 1/2 hour period, Pool, Prizes, and other financial data. Includes rows for 0030, 0100, 0130, 0200, 0230, 0300, 0330, 0400, 0430, 0500, 0530, 0600, 0630, 0700, 0730, 0800, 0830, 0900, 0930, 1000, 1030, 1100, 1130, 1200, 1230, 1300, 1330, 1400, 1430, 1500, 1530, 1600, 1630, 1700, 1730, 1800, 1830, 1900, 1930, 2000, 2030, 2100, 2130, 2200, 2230, 2300, 2330, 2400.

Filtronic hit by US delays

By Patrick Harverson

Filtronic Comtek, the telecoms components group, warned yesterday that profits this year would fall to meet analysts' expectations as a result of US companies delaying expected orders for its equipment.



David Rhodes (left) and John Samuel, finance director: delays were longer than expected.

than management had expected. "Earlier this year we thought the delay would be three to six months, but it's turned out to be nine to 12 months," said Professor David Rhodes, chairman.

and Motorola - had recently secured federal approval for their systems. Despite the setback over CDMA, total sales climbed 30 per cent to \$33.4m last year, driven by growth in Europe, Australia and in non-CDMA markets in the US.

Legal costs peg London Pacific

London Pacific Group, the investment management company formerly known as Govett & Co, yesterday reported profits still held back by the costs of its legal battle with one of the funds it managed, writes Nicholas Denton.

Profits before tax at the group, which consists mainly of US businesses, but is listed in the UK, fell 4 per cent to \$13.8m in the six months to June. The drop was attributed to an exceptional item of \$4.4m of legal costs.

RESULTS

Table with 10 columns: Company, Shares, Pre-tax profit, EPS, Current dividend, Date of payment, Dividends corresponding dividend, Total for year, Total last year. Includes rows for African Lakes, British Airways, Filtronic Comtek, HSBC, Lloyds, Midland, Pearson, PSIT, Telewest, Virgin, and Zetel.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. †After exceptional credit. ‡On increased capital. §Total charter income. ¶Net income.

CHELSEA BUILDING SOCIETY £15,000,000 Subordinated Floating Rate Notes Due 2004. In accordance with the terms and conditions of the Notes, notice is hereby given that the Date of Interest for the Interest Period 1 August 1996 to 2 February 1997 has been fixed at 2.85% per cent per annum.

MARGINED CURRENCY DEALING Laurion. CALL TOLL-FREE 0800 7480. Australia 0800 7480, Belgium 0800 71599, Denmark 0201 0020, France 0930 6446, Germany 0900 4020016, Ireland 1 800 555018, Italy 1878 70775, Norway 8001 1181, Portugal 0805 483561, Spain 800 994914, Switzerland 165 1548, Sweden 0809 1071, Switzerland 165 1548, OR CALL DIRECT Tel: (49) 40 301 870 Fax: (49) 40 321 651

HSBC Holdings plc 1996 Interim Results



Table with 3 columns: Half year to, 30 June 1996, 30 June 1995. Rows for Profit before tax (£2,321m vs £1,737m), Profit attributable to shareholders (£1,586m vs £1,203m), Earnings per share (60.14p vs 46.11p), Dividends per share (15.00p vs 9.25p), Capital resources (£23,403m vs £19,464m).

Comment by Sir William Purves, HSBC Group Chairman. "Our results for the first half of 1996 were good. A number of features were particularly satisfying. In Midland Bank, operating expenses declined. First Direct continued to make good progress, adding 88,000 customers and steadily growing its profitability. Our global custody business won significant new accounts. In Hong Kong, action taken in the last eighteen months to strengthen and expand our treasury centre has generated stronger foreign exchange earnings. Hang Seng Bank continued to expand the proportion of its balance sheet taken up by advances to customers. Our other businesses in the rest of the Asia-Pacific region also performed well.

- First half 1996 over first half 1995: Pre-tax profit up 34% and attributable profit up 32%; Pre-tax profit up 28% and attributable profit up 27% in Hong Kong dollars; Earnings per share up 30%; Dividends per share up 62%; Total capital ratio 15.3% and tier 1 capital ratio 9.8%.

The 1996 Interim Report will be sent to shareholders on Friday, 16 August 1996 and copies may be obtained from Group Public Affairs at the address below.

Incorporated in England with limited liability Registered in England number 617987 Registered Office and Group Head Office: 10 Lower Thames Street, London EC3R 6AE, United Kingdom

1996 INTERIM RESULTS "The transformation of Pearson into a media group with powerful international businesses continues." Table with 4 columns: 1996, 1995, % change, 1995. Rows for Sales (£940m vs £781m +20%), Operating profit (£49m vs £71m -31%), Profit before tax (£30m vs £50m -40%), Earnings per share (2.8p vs 8.5p -67%), Adjusted earnings per share (4.0p vs 7.8p -49%), Dividends per share (6.9p vs 6.325p +9%). PEARSON The International Media Group. INFORMATION · EDUCATION · ENTERTAINMENT. To view the full Interim Results and other information about Pearson visit our new Internet Web Site: http://www.pearson-pic.com.

Handwritten Arabic text: صكرا من الالهي

Vertical strip of various advertisements including 'SEARCH UNDER DIVE', 'FUTURES - TAXI', 'PEARSON', 'SIGMA', and other financial and service-related ads.

INTERNATIONAL PEOPLE

Sam hands on Simex chair

Simex, the Singapore futures exchange which was thrust into an unwelcome spotlight over the Barings bank crisis, is shuffling its senior board members. Elizabeth Sam, who has served the maximum term as chairman, is stepping down and will be replaced by Victor Liew Cheng San.

Liew graduated in 1972 and, after working for an American bank in Singapore, joined Overseas Union Bank as head of Treasury in 1980. He has been a director of Simex for the past five years and is chairman of the exchange's clearing house committee.

Sam started her career with the ministry of finance in 1962 and in 1971 was transferred to the Monetary Authority of Singapore, where she rose to chief manager. She was also a main board director of Mercantile House, which was taken over by British & Commonwealth before it collapsed.

She has been a director of Simex since it was set up in 1984 and has served two three-year terms as chairman. She will continue as deputy chairman. Peter John

More fun with Hahn

North Americans already spend a big chunk of their leisure time in shopping malls. In an effort to keep them there even longer, mall developers are adding a plethora of entertainment facilities.

So it comes as no surprise that the new senior vice-president at The Hahn Company, one of the US's biggest regional shopping mall developers, is David Mal-muth, formerly vice-president at Walt Disney's development arm.

Hahn, which manages 38 shopping centres with 33m sq ft of retail space, is wholly owned by Trizec, the Toronto-based developer controlled by Peter Munk, the Canadian entrepreneur. Mal-muth, 41, joined Disney in 1988. His projects have included the renovation of New York's New Amsterdam theatre, one of the grandest around Times Square, which itself is in the throes of an elaborate facelift.

Hahn reckons its Horton Plaza mall in San Diego is the shape of things to come. The mall claims to be the city's third biggest tourist attraction. Arnold Schwarzenegger was on hand last year for the opening of a 13,000 sq ft Planet Holly-

wood restaurant. A Warner Brothers studio store meanwhile displays replicas of three F-14 jets piloted by Bugs Bunny, Tweety and the Tasmanian Devil. Mal-muth should feel at home. Bernard Simon

Quinn heads bank

Lochlann Quinn, brother of Ruairi Quinn, the Irish Republic's finance minister, is to become non-executive chairman of Allied Irish Banks, the country's largest bank. Quinn, 54, succeeds Jim Culliton, who is retiring for personal reasons after just one term.

The appointment, which was unanimously approved by the board, took many bankers by surprise. Quinn has been a director for only 14 months, having joined the board as a non-executive director in May 1995.

Apart from a stint on the board of the National Museum, he has none of the high-profile public service experience of Culliton or the previous incumbent, Peter Sutherland, the former EU commissioner and head of the World Trade Organisation.

His three-year term at the head of AIB will cover the critical period

in the run-up to the planned introduction of a single European currency, when Dublin's financial services sector is expected to undergo a big adjustment as its foreign exchange business is cut and institutions try to absorb the one-off costs of conversion to the Euro.

Quinn is former partner with Arthur Anderson, the local branch of the US accountants. He owns 26 per cent of Glen Dimplex, a successful consumer electronics company, and also has hotel and restaurant interests.

Those include a stake in Patrick Guilbaud's, Dublin's foremost restaurant, which received its second Michelin star this year - just in time to lure the European bureaucrats who will be billeted in Ireland during the country's six-month presidency of the European Union. John Murray Brown

SA soccer top job

Trevor Phillips, who resigned in May as commercial director of the English Football Association after a row over ticket sales for the Euro 96 championships, has landed a new job on the wild frontier of corporate soccer, as chief executive of South Africa's nascent profes-

sional football premier league.

Phillips, 54, moved to the FA in 1992 from the Football League. His hard-nosed style - a stark contrast to that of the British football administration old guard - could be just the ticket for the 18-member South African league, which has been beset by controversy in the build-up to its launch next month.

Earlier this year, the South African sports minister launched a judicial inquiry into the business dealings of the South African Football Association and the old-format National Soccer League. Last month, the league's former public relations officer, Abdul Bhamjee, was released from prison on parole, after serving less than half of a 14-year sentence for his part in a multi-million-rand fraud.

Phillips, who is on an initial one-year contract, has been charged with building the league's sponsorship, television and merchandising business. A R60m (\$13.4m) sponsorship deal with the South African Broadcasting Corporation to screen at least two matches a week is in place, but no fixture list has been arranged. The new season kicks off on August 9. Mark Ashurst

SEARCH UNDER CURRENTS (You'll find over 600 articles)

The past and some of the future, how long are expected, the time... information. And it's all available by searching under the word search on FT PROFILE.

Please send me more information about FT PROFILE. Name, Job title, Company, Address, Postcode, Telephone No, Fax No, Type of Business, Does your company already use on-line services?

ON THE MOVE

Louis Gallois, chairman of French state aircraft manufacturer Aerospatiale, has been appointed head of the SNCF state railway company. Olivier Vincent has been named by GTE DIRECTORIES of the US to the new position of vice-president/general manager, Europe, based in Brussels, where GTE publishes directories in partnership with Belgacom through their joint-venture company, BDS. GTE is one of the largest publicly held telecommunications companies in the world. Daniel Canel joins UBS SECURITIES as senior managing director and head of North American and European emerging fixed income market sales, trading, research, origination and syndicate. He was previously co-head of global emerging markets at Chase Manhattan Bank. Wayne Murdy has been appointed executive vice-president of NEWMONT MINING CORPORATION and Newmont Gold Company. John Dow becomes senior vice-president of exploration.

Michael Dawe becomes vice-president, sales and distribution of EQUITABLE LIFE INSURANCE COMPANY OF CANADA. Yotaro Wakayama becomes a director of Perusahaan Sadur Timah Malaysia (PERSTIMA); he replaces Tadatsugu Kohara, who resigned on June 21. Douglas Woods has resigned as president and chief operating officer of WICKES LUMBER of the US. Steven Wilson, chairman and chief executive, has reassumed the duties of president. Albin Moschner has resigned as president and chief executive of ZENTH ELECTRONICS. Peter Willmott, a member of Zenith's board for the past six years, takes over as interim president and chief executive. Klaus Bechmann has resigned as chairman of BRANDEKASSE, the German savings-insurance group with effect from October. Manfred Ahlendorf, 61, has resigned as management board chairman of GESTRA, the industrial fittings manufacturer now 90 per cent controlled by Siebe of the UK. Marcial Portela Alvarez has been appointed chief

executive of TELEFONICA DE ESPANA's international Telefonica Interaccional, replacing Ignacio Santillana. Portela is a former general director of Argentina. Santillana becomes head of Telefonica's international communications department. AMERICA WEST AIRLINES has appointed Kevin Short as vice-president, revenue management. Thomas Flournoy joins the executive management committee of NEW YORK LIFE INSURANCE. Rachel King succeeds James Barrett as chief executive of GENETIC THERAPY, a wholly owned subsidiary of Sandoz, on August 31. King is now vice-president of product planning. Four staff vice-presidents have been appointed at TIMES MIRROR: Debra Domeyer, Stanley Fouts, Martha Goldstein, and Jean Jarvis. Paul Gerbecks, 48, joins the executive board of DEUTSCHE BORSE. He will take charge of the information technology division. Graeme McGregor joins the board of BROKEN HILL PROPRIETARY with effect

from August 20. Christine Morin-Postel, 49, chairman and chief executive of Crediasud, joins the board of RANK ORGANISATION of the UK as a non-executive director. Yuji Wada has resigned as executive director of MARUICHI MALAYSIA STEEL TUBE. He will be replaced by Yoshihisa Morikawa. Tan Beng Lee has been appointed chief executive of GREAT EASTERN LIFE ASSURANCE. He replaces former managing director A. J. Pathmarajah, who resigned in January. Malcolm Sherman has been appointed non-executive chairman of the board of ECKO Group, manufacturer and marketer of branded housewares products. Norm Fussell retires as chairman and director of HIGHLANDS GOLD of Australia. William Hodgson will act as chairman for the time being. Daniel Mudd has been appointed by GE CAPITAL SERVICES as president of GE Capital Services Asia-Pacific, based in Hong Kong. Pier Carlo Falotti, executive vice-president for international operations at

AT&T, is resigning from September 1. John Petrillo, 47, executive vice-president for strategy and service innovation, will assume responsibility for international operations. Paul Hofer, former head of Credit Suisse in London, has been appointed management board chairman of CREDIT SUISSE (Deutschland), where Bertil Rydevik has joined the management board and Friedrich Kenn has stepped down as a management board member. Fritz Kall, 44, has been appointed finance director of DEUTSCHE BABCOCK. Microsoft has promoted seven product group leaders to vice-president. They are: Robbie Bach, marketing, desktop applications; Lewis Levin, desktop finance; Rick Thompson, input services group; Brad Chase, developer relations and marketing, Internet platform and tools; Moshe Dunie, engineering general management, desktop business and systems; Rich Tong, marketing and training, desktop and business systems; and David Vaskevitch, database and transaction products, desktop and business systems. Harold Ingalls joins

LAROCHE INDUSTRIES as chief financial officer. William Hodder is retiring as chairman and chief executive of DONALDSON COMPANY after 27 years. William Van Dyke takes over as chairman, president and chief executive. John King becomes managing director of ALLIANCE GAS, the UK gas marketing subsidiary of Statoil, the Norwegian state-owned oil and gas company. Alliance, which began trading last week, has taken over the customer base, assets and staff of a previous company of the same name that was jointly owned by Statoil, BP and Norsk Hydro. King was formerly with Statoil's US operations: the rest of the management team has been inherited from the old Alliance Gas. International appointments Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'line'.

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INTERNATIONAL CAPITAL MARKETS

More buoyant sentiment lifts hopes

By Samer Iskandar and Conner Middelmann

Although markets performed erratically yesterday, analysts agreed that a shift to a more bullish overall mood had taken place.

Mr Tom Pelc, senior technical analyst at MMS International, believes the bull market is likely to persist until the end of the year.

GOVERNMENT BONDS

The yield spread between 10-year Treasury and bonds will disappear before the year-end, he said.

spread stood at 35 basis points yesterday, down from 63 basis points one week earlier.

Traders were awaiting today's release of unemployment numbers, which usually rise markedly in July.

The short end suffered the worst declines, with the September Pibor future falling by 0.10 point to 96.03 on fears that the weaker currency might lead to a rise in money-market rates.

Matif's September notional future also fell 0.10 point to 123.64.

German bonds had a lacklustre session, with the bund future on Life stuck in a 14-rick range between 97.66 and 97.80 all day.

Traders were awaiting today's release of unemployment numbers, which usually rise markedly in July.

UK gilts were cheered by lower-than-expected industrial production data, which helped gilts' 10-year spread over bunds narrow by 2 basis points to 165 and spurred some curve-lengthening trades.

July ends upward trend for high-yielders

By Conner Middelmann

Global government bond markets underwent a marked trend reversal last month, with the core Eurozone markets performing poorly, according to J.P. Morgan's monthly bond index monitor for July.

Germany was one of the strongest performers in July, producing a 4.52 per cent return in US dollar terms and 1.13 per cent in local currency terms.

LCH provides crisis cover for derivatives

By Peter John

Members of the London Clearing House, which settles business traded at London's derivatives exchanges, will provide £150m to counter any Barings-style crisis.

The fund is part of a sliding scale of disaster protection that kicks in if a party trading through the exchange defaults on its obligations.

the LCH clears and settles business are the London Metal Exchange, Liffe, the International Petroleum Exchange, the London Copper Exchange and Trade.

Each of the existing shareholders are also members of the clearing house and will be invited to subscribe in that capacity.

Sharing ownership between the members and the exchanges is believed to be unique and is designed to put control of policy in the hands of those who use it as well as to cut costs by up to \$10m a year.

N.M. Rothschild, which is advising on the transfer, has outlined several savings which can be made after members have bought their share for between \$215,000 and \$470,000 (depending on the number of subscribers), and have paid into the default fund.

As dividends to third party owners will disappear, any surplus at the end of the year will be returned to members.

Interest will be paid on all margins, ending a tradition of having an initial interest-free tranche.

Annual membership fees will be abolished.

Also, with memories of Lloyd's still disturbingly fresh, the LCH has stressed that membership will be on a limited-liability basis.

In the event of a second Sumitomo-inspired copper price plunge, a member's liability will be restricted to the contribution made to the default fund.

If more cash is required, a member could resign and clear its business through another firm.

Azores FRN issue proves highlight of quiet day

By Antonia Sharpe

A more positive tone in world bond markets and signs that investors want to extend the duration of their holdings raised hopes in the eurobond market yesterday that August would produce at least one large 10-year dollar offering from a triple-A rated borrower.

INTERNATIONAL BONDS

Syndicate managers said demand was increasing for longer-dated paper not only in dollars but in D-Marks since investors are unlikely to see any new benchmark bonds before the end of the year.

Several prestigious names, such as the World Bank, Canada and Germany's KfW, were mentioned yesterday as possible issuers of 10-year dollar-denominated paper.

There was also speculation that Spain was looking to raise dollars through a five-year transaction, although syndicate managers said this deal was more likely to be September's business.

Among yesterday's meagre offerings, perhaps the most interesting was the debut transaction from Portugal's autonomous region of the Azores which raised \$65m through a 10-year floating-rate note (FRN).

Bookrunner CSFB said the notes, which carry a 20 per cent risk weighting, were snapped up by European banks hungry for high-quality, Libor-plus assets.

The discounted margin on the Azores notes was Libor plus 18 basis points, and the demand pushed up their price from 99.78 at issue to

New international bond issues

Table with columns: Borrower, Amount, Coupon, Price, Maturity, and Spread. Includes entries for US Dollars, D-Marks, Swiss Francs, and Luxembourg Francs.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch applied by lead manager.

99.85-99.95 in the late afternoon. CSFB said the notes were rated A2, one notch below the sovereign.

Banks were also the main buyers of Banca di Roma's DM250m five-year FRN which is likely to be called in the fourth year.

four-year call is 15 basis points over Libor, but syndicate managers said it should have been 3 to 4 basis points wider.

Elsewhere, the asset securitisation trend in Latin America continued with a \$150m issue of collateralised crude oil royalty notes from the Argentine province of Mendoza.

as a "senior secured transaction" because bondholders had first claim on the oil production royalties paid by international and Argentine oil companies which operate concessions in the province.

The six-year bonds, which have an average life of three years, were priced on Friday to yield 403 basis points over Treasuries. Issued at par, the bonds were quoted yesterday at par 1/4 to 1/2.

Table of Bond Futures Options (Liffe) DM250,000 points of 100%. Columns include Strike, Price, Call/Put, and various dates.

Table of US Treasury Bond Futures (CME) \$100,000 32nds of 100%. Columns include Contract, Price, and various dates.

Table of UK Gilts Prices. Columns include Issue, Price, and various dates.

Table of National French Bond Futures (MatiF) FF500,000. Columns include Contract, Price, and various dates.

Table of National German Bond Futures (Liffe) DM250,000 100ths of 100%. Columns include Contract, Price, and various dates.

Table of National Spanish Bond Futures (MEFF). Columns include Contract, Price, and various dates.

Table of National UK Gilts Futures (Liffe) £50,000 32nds of 100%. Columns include Contract, Price, and various dates.

Table of National Long Term Japanese Govt. Bond Futures (Liffe) ¥100m 100ths of 100%. Columns include Contract, Price, and various dates.

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Table of FT-Actuaries Fixed Interest Indices. Columns include Index, Price, and various dates.

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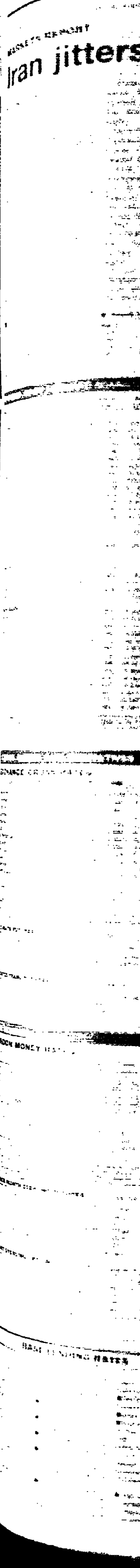
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سكنا من الامل

CURRENCIES AND MONEY

MARKETS REPORT

Iran jitters spook the markets

By Gillian Tett

The antics of the Swiss franc continued to intrigue the markets yesterday, after rumours about worsening US-Iran relations left traders scurrying towards safe haven currencies.

However, the Swiss currency's rise was capped by growing market suspicion that the Swiss authorities will fight the franc's strength.

Elsewhere, the holiday season left many markets looking lethargic. However, with new German data due today, there is now renewed speculation about the future direction of European interest rates.

These reports pushed the Swiss franc sharply higher against the US dollar in the Far Eastern markets overnight.

However, by the time European markets opened these jitters had already abated slightly.

And with the Swiss National Bank indicating that it would supply ample liquidity to money markets, the rally gradually abated during the day.

The currency closed at Sfr1.2020 per dollar in London, slightly stronger than its Sfr1.2035 close on Friday night.

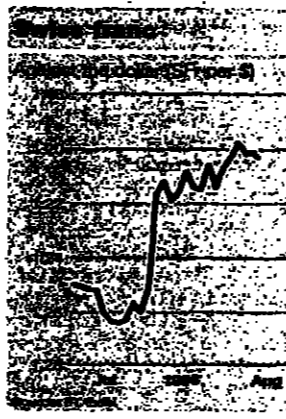
Some traders doubt whether this rally can continue much further, given the Swiss National Bank's opposition to any further strengthening.

As Mr Peter Luxton of MMS International says: "The Swiss franc strength is crucifying the Swiss economy - the Swiss authorities have shown that they are not prepared to see the Swiss franc rise any further."

However, as Mr Kit Juckes of NatWest markets pointed out, there is now a strong desire in the markets to seek out safe havens.

"There is a tendency to be quite risk adverse right now - safe haven currencies are in vogue," he says.

He adds: "The only problem is that the markets can't find a safe haven currency which would highlight the weakness of the German economy."



The D-Mark

The markets spent much of yesterday speculating that economic data due this week would highlight the weakness of the German economy.

This fuelled hopes that German interest rates would head lower again soon. These rumours helped weaken the currency. It

drifted down against the dollar during the day, closing at DM1.6315 in London, compared with the previous close of DM1.6775.

Meanwhile, the French franc also weakened slightly against the D-Mark.

It closed at closed at FF8.4 per D-Mark, down from the previous day's close of FF8.397.

Although the move was small, it was striking given the stability between the two currencies in recent months - a stability which has been fuelled by growing market faith in the likelihood of European monetary union.

These hopes of lower interest rates even infected sentiment about the UK yesterday, after industrial data was unexpectedly weak in June.

The largest fall for over three years.

The drop fuelled hopes that base rates will not rise soon - and might even be trimmed again. This prompted a small rise in short sterling futures: the contract for December rose 4 basis points to 94.52 and the March contract rose 5 basis points to 94.61. At this level traders expect UK base rates to be about 5.88 per cent and 5.99 per cent in those months respectively.

However, sterling remained steady during the day. It closed at DM2.2869 and \$1.5439, compared with a previous close of DM2.2793 and \$1.5423.

Official figures showed that industrial production fell by a seasonally adjusted 1.1 per cent in the month -

WORLD INTEREST RATES

Table with columns: MONEY RATES, August 5, Over night, One month, Three months, Six months, One year, Lend, De, Price.

EURO CURRENCY INTEREST RATES

Table with columns: Aug 5, Short term, 7 days notice, One month, Three months, Six months, One year.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Aug 5, Closing mid-point, Change on day, Bid/offer spread, Day's bid/offer, One month, Three months, One year, Bank of England.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Aug 5, Closing mid-point, Change on day, Bid/offer spread, Day's bid/offer, One month, Three months, One year, JP Morgan.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange Cross Rates, Aug 5, Bid, Offer, DM, L, FI, HK, J, P, S, Y, Ecu.

Table with columns: UK Interest Rates, Lend, De, Price, 1-3 months, 6-12 months.

Table with columns: UK Money Rates, Open, Bid, Offer, High, Low, Est. vol, Open Int.

Table with columns: UK Sterling Options, Calls, Puts, Price, Sep, Dec, Mar.

Table with columns: Base Lending Rates, Adm & Company, 3.75, 5.75, 6.00.

EUROPEAN CURRENCY UNIT RATES

Table with columns: Aug 5, Bid, Offer, DM, L, FI, HK, J, P, S, Y, Ecu.

Table with columns: Japanese Yen Futures, Open, Bid, Offer, High, Low, Est. vol, Open Int.

Table with columns: Sterling Futures, Open, Bid, Offer, High, Low, Est. vol, Open Int.

Table with columns: Euro Currency Unit Rates, Bid, Offer, DM, L, FI, HK, J, P, S, Y, Ecu.

Table with columns: Euro Currency Unit Rates, Open, Bid, Offer, High, Low, Est. vol, Open Int.

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Table with columns: Euro Currency Unit Rates, Bid, Offer, DM, L, FI, HK, J, P, S, Y, Ecu.

This announcement appears as a matter of record only.

July 1996

Hungarian Bank for Investment and Development Ltd. U.S. \$75,000,000 Term Loan. Arrangers and Lead Managers: ABN AMRO Bank N.V., Bayerische Vereinsbank Aktiengesellschaft, Central-European International Bank Ltd. Co-Lead Managers: ARGENTARIA Banco Exterior de Espana S.A., Bank of Taiwan, Amsterdam Branch, Bayerische Landesbank Girozentrale, Christiania Bank og Kreditkasse, CREDITANSTALT Rt., Credito Italiano S.p.A., Dresdner Bank Luxembourg S.A., Industriebank von Japan (Deutschland) AG, Landesbank Schleswig-Holstein International S.A., Mitsubishi Trust & Banking Corp. (Europe) S.A., The Royal Bank of Scotland plc, WGG-Bank Westeuropaeische Genossenschaftsbank AG. Managers: Banca Monte dei Paschi di Siena S.p.A., Frankfurt Branch, Banco Central Hispanoamericano, S.A., Landesbank Rheinland-Pfalz Girozentrale, SGZ-Bank A.G. Facility Agent: Central-European International Bank Ltd.

provides cover for alternatives

ACTIVITY INDICES

COMMODITIES AND AGRICULTURE

SA platinum workers reject Impala's offer

By Mark Ashurst
The strike at South Africa's Impala Platinum mines enters its fifth day today after the rejection by the National Union of Mineworkers of a revised pay offer from the company.

The cost of the stoppage to date was estimated at R28m (US\$8.25m), equivalent to the platinum content of about 175,000 tonnes of ore. The stoppage will compound the loss of about 97,000 troy ounces of pure platinum as a result of last month's strike at Anglo's Rustenburg mine.

Violence last week claimed two lives and stalled production at Anglo's Rustenburg mine following clashes between miners and men understood to be supporters of the illegal strike, which was condemned by the NUM. The strikers were demanding the repayment by Amplats of their income tax and unemployment fund contributions, but the motive for the action could be more complex.

Venezuelan gold project given go-ahead

By Raymond Corlett in Caracas
Canada's Placer Dome is moving ahead with a \$600m project to develop the Las Cristinas gold mine in south-eastern Venezuela in conjunction with its partner, the state-owned Corporación Venezolana de Guayana.

rights in Venezuela in recent years. The Canadian mining concern had repeatedly delayed its decision to go ahead with the project because of a series of government interventionist policies, including foreign exchange controls, as well as an increase in sales taxes in the month of April.

ing bill including such a proposal, which has been stalled in Congress since last September. He added, however, that CVG and the government "were disposed to listen to proposals by legislators on the matter".

for 16 years. According to Placer Dome it is the largest gold deposit identified in Venezuela. Construction is to begin in late 1996 and gold production is scheduled to commence in the fourth quarter of 1998.

contained in the saprolite surface material and in bedrock. Revised estimates place the cash cost per ounce at under \$200, net of copper credits, at an average production rate of initially 55,000 tonnes a day and 100,000 tonnes a day when bedrock is reached.

Sugar prices forecast to fall 16 per cent as world surplus grows

By Alison Maitland
The global sugar surplus will be larger than expected next year, pushing prices down by 16 per cent, the Economist Intelligence Unit forecasts in its latest report on world commodities.

World Sugar Balance (million tonnes) table with columns for 1997-98, 1996-97, 1995-96, 1994-95, 1993-94 and rows for Production, Consumption, Balance, Closing stocks, Stocks ratios.

It says stocks are likely to build to higher levels over the next two years than previously forecast, although they will still be lower than in the 1980s, when producers "overreacted" to prices as low as 40 cents a pound.

Mexican gas processor to resume production following explosion

By Leslie Crawford in Villahermosa, Mexico
Petróleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility that was badly damaged by an explosion ten days ago.

relatively unscathed, but engineers said new pipelines had to be laid down and others re-routed to circumvent the burnt-out wasteland at the complex.

Mr Adrián Lajoux, Pemex's director, said it was the costliest accident of Pemex's 55-year history.

importing 300m cu ft a day, at a daily cost of \$600,000. Mr Lajoux said daily imports could be reduced to 200m cu ft when the Pajaritos facility entered production.

COMMODITIES PRICES

BASE METALS

Table of base metal prices including London Metal Exchange, Aluminum, Zinc, Lead, Tin, and various grades of copper and nickel.

Precious Metals continued

Table of precious metal prices including Gold, Silver, Platinum, and Palladium.

GRAINS AND OIL SEEDS

Table of grain and oil seed prices including Wheat, Soybeans, Corn, and various oilseeds.

SOFTS

Table of soft commodity prices including Cocoa, Coffee, and Rubber.

MEAT AND LIVESTOCK

Table of meat and livestock prices including Live Cattle, Pork, and Lamb.

LONDON TRADED OPTIONS

Table of London traded options for various commodities.

LONDON SPOT MARKETS

Table of London spot market prices for oil, gas, and other commodities.

PRECIOUS METALS

Table of precious metal prices including London Bullion Market and various gold and silver grades.

UNLEADED GASOLINE

Table of unleaded gasoline prices for various regions.

FUTURES DATA

Table of futures data for various commodities.

VOLUME DATA

Table of volume data for various commodities.

INDICES

Table of various commodity indices.

JOTTER PAD

A grid for a crossword puzzle.

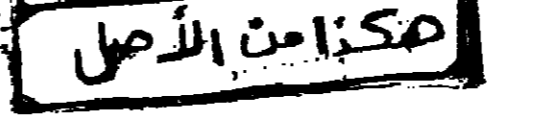
CROSSWORD

No.9,139 Set by ALAUN

A crossword puzzle grid with numbers.

- ACROSS: 1 Appearing in 'The Wicked Lady', created an impact (6)
2 She'll bring the money round at lunchtime (8)
3 Laughing at ragged Medusa (6)
4 Get mixed up with spies and end badly (8)
5 Will it tell you if the water's deep enough for bathing? (8)
6 From the two I knotted, behold it's tricky to knot! (3,3)
7 Piece of music so long it has to cut by half (4)
8 Did (teasing) conceivably lie about her allure? (7)
9 Said how clever one was to have trapped the rain in it? (7)
10 Kind with schoolchildren (4)
11 All there can't squeeze into it (6)
12 Bathed in a watery glow? (6)
13 The colours in stock (5)
14 Time to rebuild dynamo (6)
15 Boiling III for the left (3)
16 Like best running on the outside, that dog (6)
DOWN: 1 Wave the hot iron, to his consternation (9)
2 Getting out and walking (8)
3 They happen to have keyholes (6)
4 From the bitter cold, help to protect (4)
5 Scamp used to stray but is not so bad now (8)
6 How many have yet to get drunk at the new inn? (6)
7 This time one has a second one (6)
8 He got very tight at Christmas (7)
9 Shows as always to have returned, alas, a loss (7)
10 Leads the way and goes back to power (6)
11 Lie about her allure? (7)
12 Bumps into one day taking the dogs out (8)
13 Your team's going out to play in purple (6)
14 The wife will wish we were with her (6)
15 Try hard to get air (6)
16 Leave in a sailing boat for somewhere in S. America (6)
17 I abandon it with regret that is unfeigned (4)
18

Solution to Saturday's prize puzzle on Saturday August 17. Solution to yesterday's prize puzzle on Monday August 19.



Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 674...

T MANAGED FUNDS SERVICE

more details.

Main table containing fund names, descriptions, and prices. Includes sections for LUXEMBOURG (REGULATED), Credit Investment Funds - Credit, Merrill Lynch Asset Management - Credit, and Offshore Insurances.

Handwritten Arabic text: صولنا من الامل

صحة من الاجل

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Offshore Insurances and Other Funds

Table with columns: Fund Name, Price, % Change, etc. Includes funds like Alpha Fund Management Ltd, Global Investment Funds, etc.

Table with columns: Fund Name, Price, % Change, etc. Includes funds like Global Investment Funds, Global Investment Funds, etc.

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HACKETT LONDON ESSENTIAL BRITISH KIT Sale NOW ON AT 27, NEW KINGS ROAD, LONDON SW3 4LY

OTHER OFFSHORE FUNDS

Table listing various offshore funds with columns for Fund Name, Price, % Change, etc.

MANAGED FUNDS NOTES: This section provides detailed information and disclaimers regarding the managed funds listed in the table.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

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Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

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Table listing general retailers (continued).

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Table listing general retailers (continued).

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

WATER

Table listing water companies (continued).

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Table listing water companies (continued).

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Table listing water companies (continued).

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Table listing water companies (continued).

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Table listing water companies (continued).

WATER

Table listing water companies (continued).

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Cash, a member of the Financial Times Group.

GUIDE TO LONDON SHARE SERVICE

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Rockwell supplies virtually every European car manufacturer with automotive components and systems.



INV TRUSTS SPLIT CAPITAL

LEISURE & HOTELS

OTHER FINANCIAL

PROPERTY

RETAILERS, GENERAL

SUPPORT SERVICES

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie celebrates four-day winning streak

By Philip Coggan, Markets Editor
A decent set of corporate results, a continued recovery on Wall Street and some modest optimism about UK interest rates combined to send the FT-SE 100 index higher for the fourth consecutive trading session.

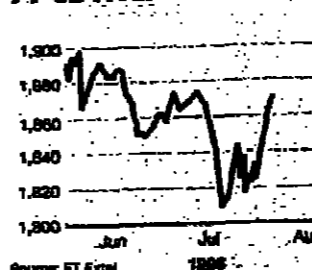
5pm and 6pm, a 666m share trade was reported in Just Group, an AIM stock, lifting the 6pm count for overall market volume to 1.2bn shares. However, the devil appeared to have been at work, since the Just deal, at 4 1/4p, would have represented five times the company's market capitalisation at Friday's close.

Yesterday's figures helped the London market overcome the effect of a number of stocks, including BT and Scottish & Newcastle, going ex-dividend. Shares received a modest lift from Friday's close on Wall Street, where the Dow Jones Industrial Average notched up another 86 point gain.

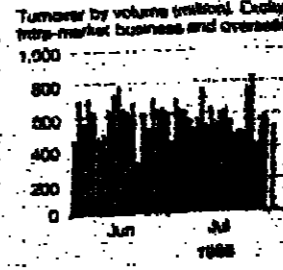
The squeeze on margins would begin to reverse during 1996. A NatWest Securities review of the retail sector provided some optimism for the sector, with analysts forecasting that it was due a big bounce.

to close at 231p, with volume reaching 1.8m by the close. The FT-SE 100 All-Share Index rose 17.7 points to 3,788.3.

FT-SE-A All-Share Index



Equity shares traded



Indices and ratios

Table with 2 columns: Index Name and Value. Includes FT-SE 100 (3788.3), FT-SE Mid 250 (4288.4), FT-SE-A 350 (1895.1), FT-SE-A All-Share (3788.3), and FT-SE-A All-Share yield (3.90).

Best performing sectors

Table with 2 columns: Sector and Value. Includes Property (+1.7), Insurance (+1.1), Other Financial (+1.0), Diversified Inds (+0.9), and Building Inds (+0.8).

Worst performing sectors

Table with 2 columns: Sector and Value. Includes Tobacco (-0.7), Textiles & Apparel (-0.4), Gas Distribution (-0.2), Transport (-0.2), and Banks: Merchant (-0.1).

Upgrade boosts HSBC

International banking group HSBC was by far the best performing Footsie stock of the day as analysts focused on the better-than-expected interim figures.

on a combination of relief over its interim results and appreciation about a disposal. The group's shares fell back last week as a series of stories did the rounds. The talk included a suggestion that the figures would do no more than break even, while the more bullish even talked of a dividend cut.

of a takeover - with Unilever a possible predator - subsided. One analyst said that the market had caught on to the fact that there was no sign of buying, other than by the institutions. He said that analysts who followed Unilever closely did not believe the speculation.

the squeeze on margins would begin to reverse during 1996. A NatWest Securities review of the retail sector provided some optimism for the sector, with analysts forecasting that it was due a big bounce.

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FUTURES AND OPTIONS

Table with 2 columns: Instrument and Price. Includes FT-SE 100 INDEX FUTURES (LFFE) and FT-SE MID 250 INDEX FUTURES (LFFE).

FT-SE 100 INDEX OPTION (LFFE)

Table with 2 columns: Instrument and Price. Includes FT-SE 100 INDEX OPTION (LFFE) for various strike prices and expirations.

TRADING VOLUME

Table with 2 columns: Stock Name and Volume. Lists major stocks like BT, ASDA Group, and others with their trading volumes.

Upgrade boosts HSBC

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LONDON RECENT ISSUES: EQUITIES

Table with 2 columns: Stock Name and Price. Lists recent issues like BT, ASDA Group, and others with their closing prices.

FT GOLD MINES INDEX

Table with 2 columns: Index Name and Value. Shows the FT Gold Mines Index and its components.

FINANCIAL TIMES EQUITY INDICES

Table with 2 columns: Index Name and Value. Shows FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share indices.

London market data

Table with 2 columns: Metric and Value. Shows market statistics like total value, total falls, and total rises.

Property gains

An upbeat note from Panmure Gordon added to the positive glaze that has lately begun to form over property shares.

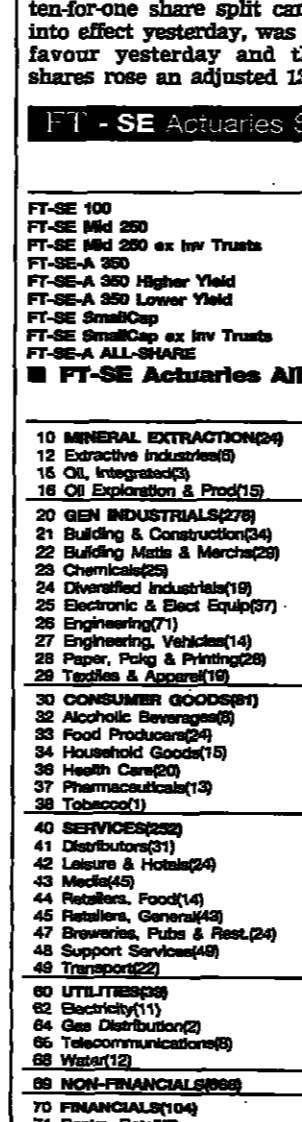
British Land jumps 11 to 451p

British Land jumped 11 to 451p and Brixton added 7 to 277.5p.

Media group Pearson shrugged off recent gloom

Media group Pearson shrugged off recent gloom and moved strongly ahead.

BT



DIAMONDS - NEW HORIZONS IN MINES AND MARKETS

7 October 1996 - London. This major one-day conference will review the significant changes taking place in the international diamond industry.

- Topics to be addressed include: The Global Search for Diamonds, Canada's Potential as a New Diamond Producer, Africa's Position in World Diamond Production, and How the Markets will Respond to the Prospects of New Diamond Production.

Speakers include: Mr Hugo T Dummitt, Mr R John Robinson, Mr James Picton, and Dr John Helmer.

Organisers reserve the right to alter the programme as may be necessary.

FT-SE Actuaries Share Indices

Table with 2 columns: Index Name and Value. Shows FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share indices.

Hourly movements

Table with 2 columns: Instrument and Price. Shows hourly price movements for FT-SE 100, FT-SE Mid 250, and FT-SE-A 350.

FT-SE Actuaries 350 Industry baskets

Table with 2 columns: Basket Name and Value. Shows industry baskets like Big & Health, Pharmaceuticals, and Banks.

REGISTRATION/ENQUIRY FORM

Registration form for FT Diamonds conference, including fields for name, address, company, and contact information.

Additional information on the FT-SE Actuaries Share Indices is published in Saturday Digest.

The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries.

Additional information on the FT-SE Actuaries Share Indices is published in Saturday Digest.

صحة من الامل

Highs and Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock prices for European markets including Austria, Germany, France, Italy, and the Netherlands.

ASIA

Table of stock prices for Asian markets including Hong Kong, Japan, Korea, and Taiwan.

PACIFIC

Table of stock prices for Pacific markets including Australia, New Zealand, and South Africa.

AMERICA

Table of stock prices for American markets including Canada and the United States.

Table of stock prices for other international markets including South Korea, Thailand, and Malaysia.

INDICES

Table of major stock indices including the Dow Jones Industrial Average, S&P 500, and Nikkei.

US INDICES

Detailed table of US stock indices and their performance over time.

MARKETS

Table of market activity including trading volumes and price changes for various sectors.

COMMODITIES

Table of commodity prices for various goods such as oil, metals, and agricultural products.

CURRENCY

Table of exchange rates for major world currencies.

Advertisement for Peregrine featuring the text 'Money Talks in Asia' and 'We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.'

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

PACIFIC (continued)

Continuation of Pacific stock market data.

AMERICA (continued)

Continuation of American stock market data.

AMERICA (continued)

Continuation of American stock market data.

INDICES (continued)

Continuation of major stock indices data.

US INDICES (continued)

Continuation of US stock indices data.

MARKETS (continued)

Continuation of market activity data.

COMMODITIES (continued)

Continuation of commodity prices data.

CURRENCY (continued)

Continuation of exchange rates data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

PACIFIC (continued)

Continuation of Pacific stock market data.

AMERICA (continued)

Continuation of American stock market data.

AMERICA (continued)

Continuation of American stock market data.

INDICES (continued)

Continuation of major stock indices data.

US INDICES (continued)

Continuation of US stock indices data.

MARKETS (continued)

Continuation of market activity data.

COMMODITIES (continued)

Continuation of commodity prices data.

CURRENCY (continued)

Continuation of exchange rates data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

PACIFIC (continued)

Continuation of Pacific stock market data.

AMERICA (continued)

Continuation of American stock market data.

AMERICA (continued)

Continuation of American stock market data.

INDICES (continued)

Continuation of major stock indices data.

US INDICES (continued)

Continuation of US stock indices data.

MARKETS (continued)

Continuation of market activity data.

COMMODITIES (continued)

Continuation of commodity prices data.

CURRENCY (continued)

Continuation of exchange rates data.

Footnote and disclaimer text at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

BE OUR GUEST. HOTEL INTER-CONTINENTAL LUXEMBOURG. When you stay with us in LUXEMBOURG stay in touch with your complimentary copy of the FINANCIAL TIMES.

سوق من الاموال

SP... (Partial view of another advertisement on the right edge of the page)

صحة من الامل

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Spain' with the headline 'Have your FT hand delivered in Spain.' and text describing delivery services to various cities in Spain.

Continuation of stock price tables from the previous pages, including NYSE and NASDAQ data.

AMERICA Acquisition flurry in three sectors

Wall Street

US shares drifted higher in light trading yesterday morning as the equity market took a breather after a four-session run that had added 4.5 per cent to the Dow Jones Industrial Average, writes Richard Waters in New York.

Mexico holds gain

Mexico City opened lower on profit-taking following a strong rally at the end of last week. By midday, however, the market had begun to recover slightly, with the IPC index standing up 2.39 at 3,190.52.

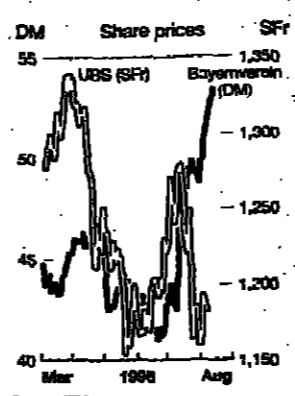
MARKETS IN PERSPECTIVE table with columns for % change in local currency and % change in US \$ for various countries and regions.

FT/S&P ACTUARIES WORLD INDICES

Table showing FT/S&P Actuarial World Indices with columns for National and Regional Markets, US Dollar Index, and Friday August 2 1996.

EUROPE Banking stocks see action in D-Mark bloc

Banks saw action in the D-Mark bloc, Bayernhypo reporting in Germany, and UBS in Switzerland. However it was Bayernhypo's neighbour, Bayernverein, which took gold in Frankfurt, where the shares rose DM1.55, or 3 per cent to DM5.3, as the Dax index gained a mere 0.26 to an index-indicated 2,520.22.



Bayernhypo posted a 22 per cent rise in first half profits but Mr James Hyde of Williams de Broe said that it had had a substantially disappointing second quarter, with a significant slowdown in all income items. Costs accelerated slightly whereas their previous trend had been to decrease, and provisions were substantially higher than expected.

ASIA PACIFIC Nikkei average up 1.7% to recover 21,000 level

Outside the Dax, the embattled Computer 2000, due to produce results after hours, fell DM9 to DM29.5, just above its low for the year. It said that it would comment then on a Der Spiegel report that it planned to omit dividend payouts.

FT-SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices with columns for Hourly changes, Open, High, Low, Close for various indices.

PARIS was very much in a wait-and-see mood, with turnover down to FF2.4bn as the CAC-40 index eased 0.28 to 2,013.19. A rumour earlier in the day that the prime minister, Mr Alain Juppé, had resigned, quickly dismissed as "absurd" by his office, weighed on sentiment and caused a ripple of selling in the currency markets.

Roundup

Awaiting HSBC results after the close, HONG KONG climbed 1 per cent in spite of a profit warning after the day. The Hang Seng index rose 109.46 to 11,071.43 in turnover of HK\$5.3bn.

pointing set of figures from Nycomed, the pharmaceuticals company, as the Total index slipped 2.0 to 817.11

Electrolux added SKr1 or 3.3 per cent to SKr347 after reporting a half-year profit of SKr1.8bn compared to SKr2.1bn for the first half 1995. Pharmacia firmed SKr4 to SKr285.

SEATTLE

SEATTLE saw strength in Ayala Land, up a peso to 47.50 after the government reported lower than expected inflation for July, but the composite index slipped 1.34 to 3,153.98 on profit-taking.

The Nikkei index of all first section stocks rose 3.91 to 21,011.88, while the Nikkei 300 advanced 1.00 to 297.87. Advances led declines by 597 to 438, with 161 unchanged.

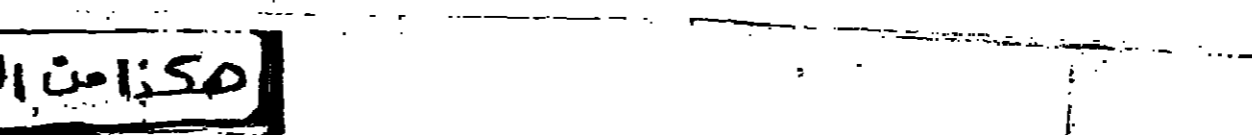
Golds lift Jo'burg

Johannesburg was propelled higher by golds as the price of bullion rose to its best level in three weeks. The overall index gained 82.9, or 1.2 per cent, to 6,776, with foreign institutions making substantial purchases.

The gold index added 51.6 to 1,860.6 and industrials made 103 to 8,016.3. Among the main movers, Anglo was up R1.25 at R250.25, while Rembrandt added R1.75 to R40 and Gold Fields added R5.50 to R137. Vaal Reefs put on R6.50 to R377 and Western Deep Levels gained R4 to R178.

Good Metal • Good Profit Good People

HINDALCO advertisement including text 'Hindalco - The well known producer of Aluminium Metal and Semis in India', 'AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.96', and three bar charts for Turnover, Net Profit, and EPS.



"Long-term business success comes from earning our customers' respect."



FINANCIAL TIMES

Tuesday August 6 1996

KYOCERA, world leader in high-tech cameras, continuously develops new uses for its technology...



Croats refuse to move on Mostar

By Laura Silber in Belgrade

The European Union was last night on the brink of abandoning its two-year mission to reunify the town of Mostar...

EU on brink of abandoning effort to reunify Bosnian town

Mr Franjo Tudjman, the Croatian president, and extremists in Mostar have rejected international pressure to join the city council after Muslims won a narrow victory in June elections...

Bosnia-wide poll set for September 14. Mr Blidit stressed that any EU concessions to the Croats would be an open invitation to each party and everyone to renegotiate elections or refuse to implement the results...

Mostar, which until 1994 was the scene of the most bitter fighting in the 10-month Croat war against the Muslims.

The Mostar stalemate has weakened the Muslim-Croat Federation which, according to the Dayton plan, covers 51 per cent of Bosnia, leaving the rest to the Bosnian Serbs.

Editorial Comment, Page 11

Dole plans \$548bn in tax cuts

Continued from Page 1

ment to the US constitution to ensure that future administrations would be forced to eliminate the deficit.

Even before he spoke, White House officials condemned the proposals, drawing unflattering parallels with former President Ronald Reagan's tax plans in the 1980 election campaign.

Opinion polls show that cutting the federal deficit is a high priority for many American voters, who regularly voice concern at the burden of debt on future generations.

But polls also show that most voters are sceptical of politicians' promises - especially when they involve tax cuts. The Dole campaign debated until the very last moment how to overcome this cynicism...

Malaysia warns of import controls to tackle deficit

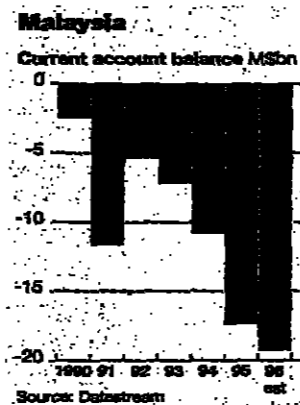
By James Kynge in Kuala Lumpur

The Malaysian government warned yesterday that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit.

Mr Mahathir Mohamad, prime minister, said yesterday that import quotas and import permits might be introduced to curb imports of non-essential goods.

The Malaysian leader's warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rates this year after enjoying rapid expansion.

Dr Mahathir's statement contradicted previous assurances from Malaysian officials,



Malaysia Current account balance M\$bn

growth is expected to slow. Malaysia's deficit in the services component of the current account is likely to continue to climb.

The current account deficit, which last year accounted for 3.6 per cent of gross national product, tends to apply downward pressure to the value of the ringgit.

There was, however, some brighter news yesterday as Malaysia recorded a trade surplus of M\$238.2m in May, against a deficit of M\$283.2m in April and a M\$1.34bn deficit in May 1995.

The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, fell sharply yesterday after a near nationwide blackout at the weekend. Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation, closed down 4.1 per cent at M\$8.75.

The blackout was an embarrassment for the Malaysian government, which last week launched a "Super-Corridor" designed to attract technology investment. The exact cause of the blackout has not yet been announced.

Chinese to purchase advanced military radars

Continued from Page 1

airborne early warning for its fighters and radar cover for its ships. However, it quickly made a decision after two US aircraft-carrier battle groups staged high-profile exercises in the Taiwan Strait during the recent Taiwanese presidential elections.

The improved radar cover will give China improved warning of any impending attack, but it will also allow it

to deploy naval task groups more aggressively in the South China Sea.

As well as improving its radar capabilities, China is looking to update its Russian designed MIG 21 jets, dating from the 1960s, with new Russian Su 27 "Flanker" fighters. China has long-term plans to buy 72 Flankers, which rival the best western combat aircraft.

Racal's Searchwater radar is used by the Royal Air Force in

its Nimrod maritime patrol aircraft, which hunt hostile submarines. The latest generation of the radar, Searchwater 2000, was also selected for the RAF's £1.5bn (£2.8bn) replacement maritime patrol aircraft which was ordered last month.

Searchwater is also used on Royal Navy Sea King helicopters, where they are used to give task groups a view of potential threats over the horizon. The radar will be manufactured at Racal

Thorn's factory at Crawley in Sussex in a contract thought to be worth £40m.

The increased capacity of the Chinese military is likely to be used by other south-east Asian countries to press the US to supply them with sophisticated weapons such as advanced medium-range air-to-air missiles. The US has so far refused to allow such weapons into the area for fear of starting a regional arms race.

FT WEATHER GUIDE. Europe today. Scotland and England will have some thunderstorms. Northern Ireland will have localised showers and sunny spells. In Scandinavia, it is expected to be sunny and dry. Temperatures will be around 20C.

THE LEX COLUMN Sedentary Swiss

UBS has had a cracking first half. Buoyed by rising financial markets, profits shot ahead by a third to SF1.1bn (\$0.91bn). Yet the Swiss bank's return on equity remains stuck at a dismal 9 per cent.

UBS's rivals are tackling this problem with more vigour. Swiss Bank Corporation has reduced its domestic exposure by buying foreign investment banks such as SG Warburg. CS Holding last month renewed the attack on its Swiss cost base by announcing the merger of its Credit Suisse and Volksbank retail networks.

UBS's cautious approach puts it in danger of falling behind on both counts. Its cost-cutting at home has been too gentle so far. CS will command a greater market share in Switzerland with 30 per cent fewer branches following its reorganisation.

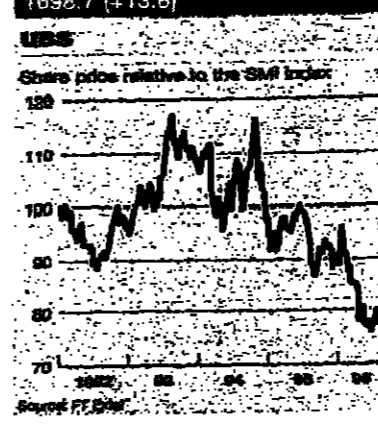
Overseas, UBS appears committed to organic expansion. That should prevent expensive mistakes, but the returns will be slow to come through. With such a conservative strategy, UBS certainly does not need all its capital. Handling some back to shareholders would boost their returns and its own.

BA/USAir

Poor old British Airways. Nobody is terribly interested in the company's first quarter results; all they want to know about is the apparent collapse of BA's relationship with USAir. But BA investors need not fret too much about the debacle.

Equally, USAir may genuinely believe it can find a better alliance elsewhere. But even so, losing the USAir alliance would not do too much damage to BA. If it had to sell its stake, it would almost certainly

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collect a profit on its written-down value. And although it would lose passengers coming from USAir flights - said to be worth \$100m a year - BA would probably not find it difficult to attract another US partner, besides American. If it wanted.

All this makes the depressed performance of BA's share price curious. Since the plan to ally with American was announced, it has underperformed the market; on the basis of this year's expected earnings it is trading at a 20 per cent discount. True, the shares had a good run before the American deal was announced. And regulators will doubtless demand some hefty conditions as the price of their agreement. But to price in next to no upside for the alliance looks unduly gloomy.

HSBC

Yesterday's 4 per cent rise in HSBC's share price in response to a sparkling set of interim results was amply justified. Even stripping out fat one-off profits from asset sales, there was plenty of good news on the performance of the underlying business.

For a start, margins in Hong Kong rose, defying bearish expectations. Meanwhile in the UK, the sharp fall in Midland Bank's cost-income ratio is distinctly welcome. No wonder the air is thick with the sound of analysts increasing their forecasts.

The real question is whether they should upgrade their ratings as well. At a little under 10 times this year's expected earnings, the shares are trading at only a marginal premium over, say, Barclays. Argu-

ably, such a premium is justified on the grounds of geographic spread alone, which should mean HSBC's earnings stream is of higher quality. But even if investors do not give it credit for that, the current multiple clearly gives HSBC precious little credit for its formidable presence in fast-growing Asia. True, HSBC's heavy dependence on Hong Kong justifies some risk premium. But so it should for Hang Seng Bank, in which HSBC has a 61 per cent stake; this does not prevent investors waiting it at 16 times this year's expected earnings. Such a sky-high rating for the whole of HSBC would be absurd. But consider that 55 per cent of HSBC's profits are generated in Asia, and the oddity of its current rating is plain.

UK cable television

It is easy to see why UK cable companies have become such an unflashy investment. TeleWest Communications yesterday revealed it was losing 98 per cent of its customers a year, while only one in five households within its network has signed up. Given that £1.7bn will be tied up in the system by the end of this year, this points to an alarmingly low return on capital. So it is unsurprising that its shares have fallen 21 per cent since their November 1994 flotation.

Nonetheless, the outlook is undoubtedly improving. A range of new services will start to emerge next year, at a time when more than two-thirds of the network will have been built. The portability of telephone numbers should encourage telecoms users. The launch of a high-speed Internet service will broaden the appeal of the network. Meanwhile, video-on-demand should enable cable operators to make substantial inroads into the video rentals market.

There is also considerable scope for reducing operating costs and boosting negotiating muscle with the big programme suppliers through consolidation.

A friendly merger between Nymex and Telewest is an obvious step. While this would offer few immediate gains for shareholders, industry consolidation must improve performance in the long term.

The problem is that it would be some time before these benefits showed through in profit figures, and so far investors in the cable industry have been taught to take little on trust.

Recommended Offer by Baring Brothers International Limited on behalf of Whitbread PLC for The Pelican Group PLC. Baring Brothers International Limited announces on behalf of Whitbread PLC that, by means of a formal offer document dated and despatched 5th August, 1996, Baring has on behalf of Whitbread to acquire the whole of the issued and to be issued share capital of The Pelican Group PLC.

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